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# Store & Publishing

## Review of Strategy

June 2020

PX-2469.1

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# Epic Games Publishing

## Current Deals

(in \$ Millions)

Developer	Title	Release	2020	2021	2022	2023	2024	2025	2027	Lifetime Net	ROI	IRR
		Revenue	-	-	-	\$27.4	\$35.3	\$6.6	\$6.0	\$75.2		
		Costs	(8.2)	(11.5)	(12.8)	(28.7)	(5.1)	-	-	(66.2)		
		Cash Impact	(\$8.2)	(\$11.5)	(\$12.8)	(\$13)	\$30.2	\$6.6	\$6.0	\$9.0	-12%	8%
		Revenue	-	\$13.9	\$1.7	\$1.7	\$1.0	-	-	\$18.4		
		Costs	(5.7)	(7.4)	-	-	-	-	-	(13.0)		
		Cash Impact	(\$5.7)	\$6.5	\$1.7	\$1.7	\$1.0	-	-	\$5.3	-29%	43%
		Revenue	-	-	\$42.7	\$15.2	\$6.8	\$5.7	-	\$70.3		
		Costs	(11.3)	(13.6)	(23.1)	(2.9)	-	-	-	(50.9)		
		Cash Impact	(\$11.3)	(\$13.6)	\$19.5	\$12.2	\$6.8	\$5.7	-	\$19.4	-28%	25%
		Revenue	-	-	-	-	\$52.7	\$6.6	\$6.6	\$65.0		
		Costs	(12.1)	(6.2)	(6.2)	(6.2)	(15.1)	-	-	(43.2)		
		Cash Impact	(\$12.1)	(\$6.2)	(\$6.2)	(\$6.2)	\$37.6	\$6.6	\$6.6	\$22.6	-34%	17%
	Revenue	-	-	\$3.3	\$0.9	\$0.5	\$0.4	\$0.3	\$5.5			
	Costs	(1.0)	(0.5)	(1.8)	(0.1)	-	-	-	(3.3)			
	Cash Impact	(\$1.0)	(\$0.5)	\$1.5	\$0.9	\$0.5	\$0.4	\$0.3	\$2.1	-39%	38%	
	Revenue	-	-	\$9.6	\$4.7	\$1.8	\$1.5	\$1.0	\$18.5			
	Costs	(1.7)	(3.4)	(5.1)	(0.4)	-	-	-	(11.6)			
	Cash Impact	(\$1.7)	(\$3.4)	\$3.4	\$4.3	\$1.8	\$1.5	\$1.0	\$6.9	-37%	37%	
Net Cash Impact			(\$39.9)	(\$28.6)	\$7.2	\$11.5	\$77.9	\$20.8	\$13.9	\$65.4	-26%	18%

Expected cash outflow of \$40mm in 2020 from deals currently in place

## Assumptions

- Revenue period for titles is set to 3-4 years following release
- Cost is expected from present through the end of the 3-4 year revenue period



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# Publishing Model Assumptions

Category

Assumptions

- Expected number of signed EGP titles by Tier

	Signed	Forecast					
	1H20	2H20	2021	2022	2022	2023	2024
Live Service - Tier 1		2	1	1	1	1	1
Live Service - Tier 2							
Premium - Tier 1	3	1	1	1	1	1	1
Premium - Tier 2	1	2	2	2	2	2	2
Premium - Tier 3	2	2	4	4	4	4	4

Assumes games are released three years after signed deal

- Expected revenue and return per Title

Per Title	Lifetime Revenue	IRR
Live Service - Tier 1	\$250	18%
Live Service - Tier 2	\$100	11%
Premium - Tier 1	\$105	14%
Premium - Tier 2	\$50	12%
Premium - Tier 3	\$12	8%

- Revenue by Signed Cohort

Deal Close Period	Revenue Received Period									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	1H20 (Signed)	\$19	\$74	\$86	\$155	\$54	\$36	\$7	-	-
2H20	-	-	\$217	\$215	\$138	\$65	\$63	\$30	-	-
2021				\$159	\$150	\$83	\$35	\$30	\$13	
2022					\$159	\$150	\$83	\$35	\$30	\$13
2023						\$159	\$150	\$83	\$35	\$30
2024							\$159	\$150	\$83	\$35
Total Revenue	\$19	\$74	\$303	\$528	\$501	\$494	\$498	\$329	\$161	\$78

- Costs per Title by Tier

	Dev Cost	Liveops	Marketing	Go-to-Market	Hosting	Total
Live Service - Tier 1	\$50	\$42	\$20	\$2	\$13	\$126
Live Service - Tier 2	\$25	\$16	\$10	\$1	\$5	\$57
Premium - Tier 1	\$40	\$0	\$10	\$2	\$1	\$53
Premium - Tier 2	\$20	\$0	\$5	\$1	\$1	\$27
Premium - Tier 3	\$5	\$0	\$1	\$1	\$0	\$7



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# Publishing Cash Flow

Illustrative: Last deal signed in 2024

	2020	2021	2022	2023	2024	Flow from Prior Years						Total
						2025	2026	2027	2028	2029	2030	
Gross Revenue	-	\$19	\$203	\$227	\$418	\$463	\$521	\$516	\$359	\$203	\$102	\$3,031
Platform Fee	-	(4)	(46)	(53)	(99)	(110)	(125)	(124)	(86)	(49)	(24)	(720)
Rev Share	-	(1)	(2)	(15)	(23)	(55)	(70)	(64)	(69)	(60)	(31)	(389)
<b>Net Revenue</b>	-	<b>\$14</b>	<b>\$155</b>	<b>\$160</b>	<b>\$296</b>	<b>\$298</b>	<b>\$327</b>	<b>\$328</b>	<b>\$204</b>	<b>\$94</b>	<b>\$47</b>	<b>\$1,922</b>
Dev Cost	(\$80)	(\$102)	(\$163)	(\$180)	(\$173)	(\$158)	(\$121)	(\$68)	(\$32)	(\$20)	(\$11)	(\$1,109)
Marketing Cost	-	(8)	(41)	(40)	(56)	(44)	(49)	(48)	(16)	(5)	-	(307)
Gtm Cost	-	-	-	(0)	(8)	(8)	(8)	(8)	-	-	-	(32)
Hosting	-	-	(6)	(6)	(7)	(12)	(14)	(15)	(12)	(8)	(4)	(86)
<b>Recoupable Costs</b>	<b>(\$80)</b>	<b>(\$110)</b>	<b>(\$211)</b>	<b>(\$226)</b>	<b>(\$244)</b>	<b>(\$222)</b>	<b>(\$192)</b>	<b>(\$139)</b>	<b>(\$60)</b>	<b>(\$33)</b>	<b>(\$16)</b>	<b>(\$1,533)</b>
<b>Expected Cash Flow</b>	<b>(\$80)</b>	<b>(\$96)</b>	<b>(\$55)</b>	<b>(\$66)</b>	<b>\$52</b>	<b>\$76</b>	<b>\$135</b>	<b>\$188</b>	<b>\$144</b>	<b>\$60</b>	<b>\$31</b>	<b>\$389</b>

Potential Cash Outflow in 2020

Cash flows to Developers and Epic are equal reflecting 50/50 publishing split



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## Speaker Notes for Slide 4

Include Payment Processing Fee in here? Determining if Payment Processing is Recoupable

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# Store Model Assumptions

Assumptions		Detail						
1.	Model based on signed titles (~130) and pipeline titles	Total Signed Deals (Sept '19)	2019	2020	2021	2022	2023	2024
		Minimum Gaurantees (\$ in mm)	\$554	\$356	\$231			
		Lifetime Revenue	\$257	\$193	\$182			
		Expected Lifetime Recoup	46%	54%	79%			
1.	<b>Pipeline titles</b> are driven by projected number of exclusive (MG) and sim-ship (non-MG) titles by Tier	Titles	2019	2020	2021	2022	2023	2024
		Tier X		1	3	7	8	10
		Tier 1		0	11	11	15	15
		Tier 2&3		0	82	115	130	145
		<b>Total Pipeline (Non-Signed) Deals</b>		<b>1</b>	<b>96</b>	<b>133</b>	<b>153</b>	<b>170</b>
1.	Revenue for pipeline MG titles are based on <b>lifetime revenue expectations</b> for Tier classification	<b>Lifetime revenue / title for pipeline titles with minimum guarantees (exclusives)</b>						
		• Tier X: \$70mm						
		• Tier 1: \$40mm						
		• Tier 2: \$15mm						
		• Tier 3: \$3.5mm						
1.	Revenue of pipeline non-MG titles (typically sim-ship) are based on expected EGS market share of <b>20-35% by 2024</b> (varies by Tier type)							
1.	Lifetime revenue earned over <b>typical game decay curve*</b>	• Tier X & 1 titles lifetime revenue curve in Year 1 - 4: 50%, 30%, 15% 5%						
		• Tier 2 & 3 titles lifetime revenue curve in Year 1 - 4: 40%, 40%, 15% 5%						
2.	Across both scenarios, this model reflects <b>fundamental improvements in deal structures:</b>	• Lifetime recoup (vs. one year recoup)						
		• Cross collateralization						
		• Shift of MGs from high range to low range of title comps						
1.	MG commitments by release year	MGs \$ in mm	2019	2020	2021	2022	2023	2024
		<b>Minimum Guarantee Additions</b>	<b>\$519</b>	<b>\$448</b>	<b>\$339</b>	<b>\$129</b>	<b>\$90</b>	<b>\$90</b>

\* Assumes launch dates of games average out to midpoint of calendar year



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# P&L and Cash View

(millions)	2019	2020	2021	2022	2023	2024	Flow from Prior Years			Total
							2025	2026	2027	
Store Revenue	\$233	\$358	\$574	\$658	\$748	\$838	\$622	\$252	\$78	\$4,362
Publishing Revenue	-	-	19	203	227	418	463	521	518	3,031
<b>Gross Revenue</b>	<b>\$233</b>	<b>\$358</b>	<b>\$593</b>	<b>\$861</b>	<b>\$976</b>	<b>\$1,256</b>	<b>\$1,085</b>	<b>\$773</b>	<b>\$594</b>	<b>\$7,393</b>
Store Developer Royalties (88% Share)	(\$205)	(\$298)	(\$505)	(\$579)	(\$658)	(\$738)	(\$547)	(\$222)	(\$69)	(\$3,821)
Store MG Loss/Credit	(167)	(277)	(153)	(45)	37	14	4	2	1	(585)
Store License Fees	(27)	(30)	-	-	-	-	-	-	-	(57)
Store Free Game Buyouts	(17)	(129)	(40)	(20)	(20)	(20)	-	-	-	(246)
Publishing Platform Royalties	-	-	(4)	(46)	(53)	(99)	(110)	(125)	(124)	(720)
Publishing Developer Royalties (50% post recoup)	-	-	(1)	(2)	(15)	(23)	(55)	(70)	(64)	(389)
<b>Total Royalties</b>	<b>(\$417)</b>	<b>(\$733)</b>	<b>(\$702)</b>	<b>(\$692)</b>	<b>(\$709)</b>	<b>(\$866)</b>	<b>(\$708)</b>	<b>(\$415)</b>	<b>(\$256)</b>	<b>(\$5,818)</b>
<b>Net Revenue</b>	<b>(\$183)</b>	<b>(\$375)</b>	<b>(\$110)</b>	<b>\$169</b>	<b>\$267</b>	<b>\$390</b>	<b>\$376</b>	<b>\$359</b>	<b>\$338</b>	<b>\$1,575</b>
Payment Processing	(\$12)	(\$19)	(\$23)	(\$28)	(\$32)	(\$37)	(\$29)	(\$14)	(\$7)	(\$206)
Hosting	(2)	(4)	(6)	(7)	(14)	(19)	(18)	(14)	(14)	(116)
Support-a-Creator	(2)	(5)	(6)	(14)	(14)	(16)	(18)	(17)	(15)	(133)
UAMarketing	(36)	(79)	(19)	(54)	(55)	(72)	(56)	(54)	(50)	(497)
<b>Cost of Sales</b>	<b>(\$53)</b>	<b>(\$107)</b>	<b>(\$54)</b>	<b>(\$103)</b>	<b>(\$115)</b>	<b>(\$144)</b>	<b>(\$121)</b>	<b>(\$100)</b>	<b>(\$87)</b>	<b>(\$952)</b>
<b>Gross Income</b>	<b>(\$236)</b>	<b>(\$481)</b>	<b>(\$164)</b>	<b>\$66</b>	<b>\$152</b>	<b>\$246</b>	<b>\$255</b>	<b>\$259</b>	<b>\$251</b>	<b>\$622</b>
<i>Gross Margin (as a % of Net Revenue)</i>	-	-	-	39%	57%	63%	68%	72%	74%	40%
People Cost	(\$12)	(\$18)	(\$23)	(\$27)	(\$29)	(\$31)	-	-	-	(\$139)
Outsourced Development	(5)	(85)	(107)	(168)	(185)	(186)	(166)	(129)	(76)	(1,171)
<b>Operating Costs</b>	<b>(\$17)</b>	<b>(\$103)</b>	<b>(\$129)</b>	<b>(\$195)</b>	<b>(\$215)</b>	<b>(\$217)</b>	<b>(\$166)</b>	<b>(\$129)</b>	<b>(\$76)</b>	<b>(\$1,310)</b>
<b>Operating Income</b>	<b>(\$253)</b>	<b>(\$585)</b>	<b>(\$293)</b>	<b>(\$128)</b>	<b>(\$63)</b>	<b>\$29</b>	<b>\$89</b>	<b>\$130</b>	<b>\$175</b>	<b>(\$687)</b>
<b>Cumulative Operating Income</b>	<b>(\$253)</b>	<b>(\$838)</b>	<b>(\$1,131)</b>	<b>(\$1,259)</b>	<b>(\$1,322)</b>	<b>(\$1,292)</b>	<b>(\$1,203)</b>	<b>(\$1,073)</b>	<b>(\$898)</b>	
<i>Op Margin (as a % of Net Revenue)</i>	-	-	-	-76%	-23%	8%	24%	36%	52%	
Tax Benefit / Expense	\$38	\$88	\$51	\$22	\$11	(\$5)	(\$16)	(\$23)	(\$31)	\$99
Advanced Free Buyout	(\$30)	\$30	-	-	-	-	-	-	-	-
Advanced MG	(\$134)	\$36	\$63	\$60	-	-	-	-	-	-
<b>Cash Flow</b>	<b>(\$379)</b>	<b>(\$431)</b>	<b>(\$179)</b>	<b>(\$46)</b>	<b>(\$52)</b>	<b>\$24</b>	<b>\$74</b>	<b>\$108</b>	<b>\$144</b>	<b>(\$563)</b>
<b>Cumulative Operating Income</b>	<b>(\$379)</b>	<b>(\$811)</b>	<b>(\$989)</b>	<b>(\$1,035)</b>	<b>(\$1,087)</b>	<b>(\$1,063)</b>	<b>(\$989)</b>	<b>(\$881)</b>	<b>(\$737)</b>	

\*Assumes 15% effective tax rate in 2019 and 2020 and 17.5% thereafter, assumes no interest earned on cash

Illustrative: Last deal signed in 2024



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# EGS+EGP 5-Yr P&L Model (Prior vs. Current Plan)

## Prior EGS-only P&L View (as of Fall 2019)

Illustrative: Last deal signed in 2024

EGS	2019	2020	2021	2022	2023	2024	Flow from Prior Years			Total
Gross Revenue	\$213	\$401	\$547	\$744	\$1,004	\$1,177	\$655	\$247	\$80	\$5,049
Royalties	(382)	(640)	(841)	(824)	(932)	(1,035)	(554)	(143)	(50)	(5,180)
Net Revenue	(\$148)	(\$240)	(\$93)	(\$80)	\$72	\$142	\$101	\$104	\$10	(\$132)
Cost of Sales	(33)	(33)	(45)	(62)	(83)	(98)	(54)	(20)	(5)	(434)
Operating Expense	(20)	(24)	(25)	(27)	(28)	(30)	-	-	-	(153)
Operating Income	(\$201)	(\$296)	(\$164)	(\$168)	(\$40)	\$15	\$47	\$83	\$5	(\$719)
Operating Margin	N.M.	N.M.	N.M.	N.M.	-55%	10%	46%	80%	51%	N.M.

EGS Only (Old)	2019	2020	2021	2022	2023	2024	Flow from Prior Years			Total
Gross Revenue	\$213	\$401	\$547	\$744	\$1,004	\$1,177	\$655	\$247	\$80	\$5,049
Royalties	(382)	(640)	(841)	(824)	(932)	(1,035)	(554)	(143)	(50)	(5,180)
Net Revenue	(\$148)	(\$240)	(\$93)	(\$80)	\$72	\$142	\$101	\$104	\$10	(\$132)
Cost of Sales	(33)	(33)	(45)	(62)	(83)	(98)	(54)	(20)	(5)	(434)
Operating Expense	(20)	(24)	(25)	(27)	(28)	(30)	-	-	-	(153)
Operating Income	(\$201)	(\$296)	(\$164)	(\$168)	(\$40)	\$15	\$47	\$83	\$5	(\$719)
Operating Margin	N.M.	N.M.	N.M.	N.M.	-55%	10%	46%	80%	51%	N.M.

Plan Expected Recoup of 87%

## Current EGS & EGP P&L View

Illustrative: Last deal signed in 2024

EGS	2019	2020	2021	2022	2023	2024	Flow from Prior Years			Total
Gross Revenue	\$233	\$358	\$574	\$658	\$748	\$838	\$622	\$252	\$78	\$4,362
Royalties	(417)	(733)	(698)	(645)	(642)	(744)	(543)	(220)	(68)	(4,709)
Net Revenue	(\$183)	(\$375)	(\$124)	\$14	\$107	\$94	\$78	\$32	\$10	(\$347)
Cost of Sales	(53)	(107)	(46)	(53)	(60)	(67)	(50)	(20)	(6)	(481)
Operating Expense	(17)	(22)	(26)	(29)	(31)	(32)	-	-	-	(157)
Operating Income	(\$253)	(\$503)	(\$196)	(\$68)	\$16	(\$5)	\$29	\$12	\$4	(\$965)
Operating Margin	N.M.	N.M.	N.M.	-504%	15%	-3%	37%	37%	39%	N.M.

EGP	2019	2020	2021	2022	2023	2024	Flow from Prior Years			Total
Gross Revenue	-	-	\$19	\$203	\$227	\$418	\$463	\$521	\$516	\$3,031
Royalties	-	-	(5)	(48)	(67)	(122)	(165)	(195)	(188)	(1,109)
Net Revenue	-	-	\$14	\$155	\$160	\$296	\$298	\$327	\$328	\$1,922
Cost of Sales	-	-	(8)	(50)	(55)	(77)	(72)	(80)	(81)	(491)
Operating Expense	-	(81)	(103)	(166)	(183)	(185)	(166)	(129)	(76)	(1,153)
Operating Income	-	(\$81)	(\$98)	(\$60)	(\$78)	\$35	\$60	\$118	\$171	\$278
Operating Margin	N.M.	N.M.	-701%	-39%	-49%	12%	20%	36%	52%	14%

Combined EGS + EGP	2019	2020	2021	2022	2023	2024	Flow from Prior Years			Total
Gross Revenue	\$233	\$358	\$593	\$861	\$976	\$1,256	\$1,085	\$773	\$694	\$7,393
Royalties	(417)	(733)	(702)	(692)	(709)	(866)	(708)	(415)	(256)	(5,818)
Net Revenue	(\$183)	(\$375)	(\$110)	\$169	\$267	\$390	\$376	\$359	\$338	\$1,575
Cost of Sales	(53)	(107)	(54)	(103)	(115)	(144)	(121)	(100)	(87)	(952)
Operating Expense	(17)	(103)	(129)	(195)	(215)	(217)	(166)	(129)	(76)	(1,310)
Operating Income	(\$253)	(\$585)	(\$293)	(\$128)	(\$63)	\$29	\$89	\$130	\$175	(\$687)
Operating Margin	N.M.	N.M.	N.M.	-76%	-23%	8%	24%	36%	52%	-44%

New Plan is expected to result in a net cash outflow of \$687mm vs \$719mm in prior Plan



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# Graveyard

PX-2469.9



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# EGS P&L and Cash View

	2019	2020	2021	2022	2023	2024
\$ in Millions						
<b>Signed Deals</b>	<b>\$229</b>	<b>\$179</b>	<b>\$208</b>	<b>\$93</b>	<b>\$43</b>	<b>\$22</b>
<b>Forecast Exclusive Deals</b>	<b>-</b>	<b>\$40</b>	<b>\$187</b>	<b>\$211</b>	<b>\$182</b>	<b>\$164</b>
2019 Pipeline Exclusive	-	-	-	-	-	-
2020 Pipeline Exclusive	-	40	115	70	35	17
2021 Pipeline Exclusive	-	-	73	51	23	8
2022 Pipeline Exclusive	-	-	-	90	54	27
2023 Pipeline Exclusive	-	-	-	-	70	42
2024 Pipeline Exclusive	-	-	-	-	-	70
<b>Forecast Non Exclusive Deals</b>	<b>\$4</b>	<b>\$34</b>	<b>\$149</b>	<b>\$345</b>	<b>\$519</b>	<b>\$651</b>
2019 Pipeline Non-Exclusive	4	9	5	2	1	0
2020 Pipeline Non-Exclusive	-	25	18	12	9	6
2021 Pipeline Non-Exclusive	-	-	127	109	58	27
2022 Pipeline Non-Exclusive	-	-	-	222	178	89
2023 Pipeline Non-Exclusive	-	-	-	-	274	214
2024 Pipeline Non-Exclusive	-	-	-	-	-	314
<b>Free Games</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Gross Revenue</b>	<b>\$233</b>	<b>\$253</b>	<b>\$544</b>	<b>\$648</b>	<b>\$744</b>	<b>\$836</b>
Annual MGs Paid Signed Deals	\$554	\$356	\$231	\$0	\$0	\$0
Lifetime Recoup Signed Deals	\$257	\$193	\$182	\$18	\$0	\$0
<b>Blended Lifetime Recoup Signed Deals</b>	<b>46.4%</b>	<b>54.2%</b>	<b>78.8%</b>			
Annual MGs Paid Pipeline Deals		\$45	\$293	\$141	\$90	\$90
Lifetime Recoup Pipeline Deals		\$86	\$340	\$194	\$140	\$140
<b>Blended Lifetime Recoup Pipeline Deals</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Consolidated MGs Paid	\$554	\$401	\$524	\$141	\$90	\$90
Total Lifetime Recoup	\$257	\$279	\$522	\$212	\$140	\$140
<b>Consolidated Blended Lifetime Recoup</b>	<b>46.4%</b>	<b>69.6%</b>	<b>99.7%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

100% recoup reflects full recovery of MGs



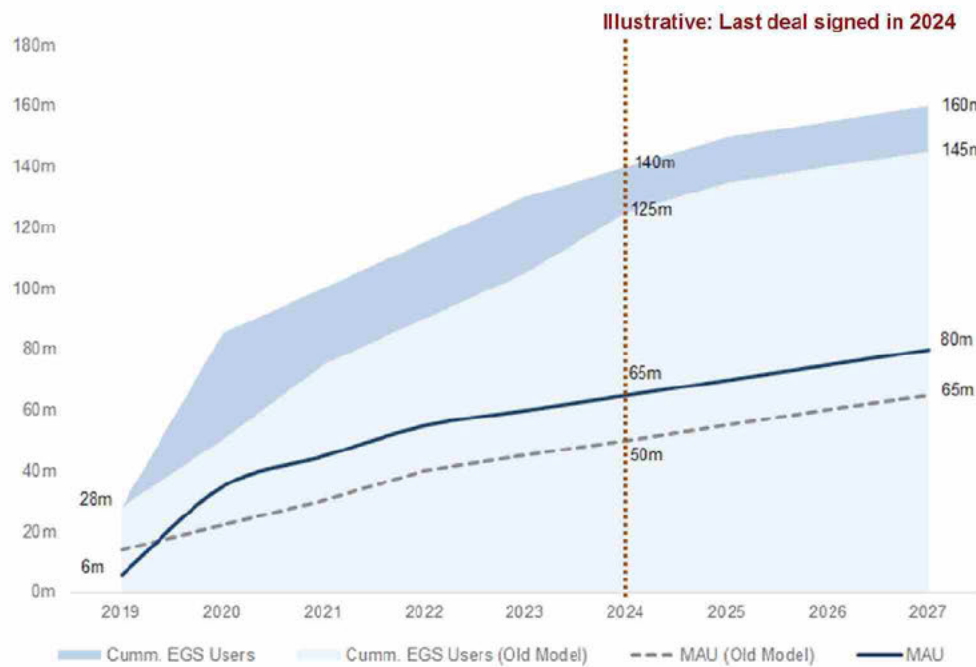
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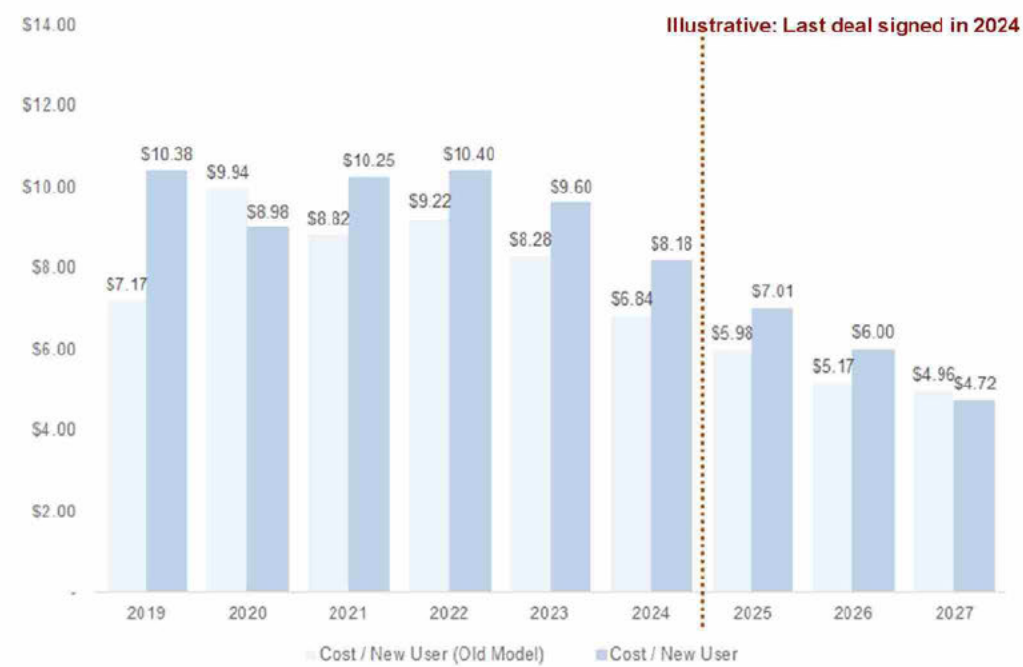
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# Users Growth (To be discussed)

## Cumulative Users and MAU Forecast



## User Lifetime Value



PX-2469.11

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# Cost Summary

Commitments and Payments to Date				
	Committed to Date	Paid to Date	Committed in 2020	Paid in 2020
Minimum Guarantee	\$1,149	\$705	\$30	\$6
Free Game Buyout	\$132	\$92	\$71	\$37
License/Exclusivity/Port Fee	\$42	\$42	\$15	\$15
Marketing Commitments	\$105	\$31	\$57	\$9
Publishing Development Budget	\$138	\$18	\$138	\$18
Publishing Marketing Budget	\$42	-	\$42	-
<b>Total</b>	<b>\$1,608</b>	<b>\$888</b>	<b>\$352</b>	<b>\$85</b>

Comments	
1	55% of commitments have already been paid - 61% of MG commitments
2	Switching focus from an aggressive MG based strategy
3	Focus on onboarding top 100 Steam Games and other back-catalog
4	Increased focus on Free Games as a user acquisition tool
5	Introduction of the Publishing Business

Expected Commitments by Year							
	2018A	2019A	2020	2021	2022	2023	2024
Minimum Guarantee	\$250	\$869	\$200	\$150	\$100	\$100	\$100
Free Game Buyout	\$2	\$59	\$108	\$50	\$20	\$20	\$20
License/Exclusivity/Port Fee	-	\$27	\$30	-	-	-	-
Marketing Commitments	-	\$50	\$57	-	-	-	-
Publishing Development Budget*	-	-	\$326	\$145	\$145	\$145	\$145
Publishing Marketing Budget	-	-	\$113	\$44	\$44	\$44	\$44
<b>Total</b>	<b>\$252</b>	<b>\$1,006</b>	<b>\$834</b>	<b>\$389</b>	<b>\$309</b>	<b>\$309</b>	<b>\$309</b>

2020 Old vs New Plan		
	2020 Plan	2020 Update
2 Minimum Guarantee	\$667	\$200
4 Free Game Buyout	\$34	\$108
License/Exclusivity Fee	-	\$30
Marketing Commitments	-	\$57
5 Publishing Development Budget*	-	\$326
Publishing Marketing Budget	-	\$113
<b>Total</b>	<b>\$701</b>	<b>\$834</b>

\* Excludes Live-Ops Cost for Live Service Games and internal Go-to-Market costs



PX-2469.12

## Speaker Notes for Slide 11

Marketing Commitments include [REDACTED]

Publishing Budget includes [REDACTED]

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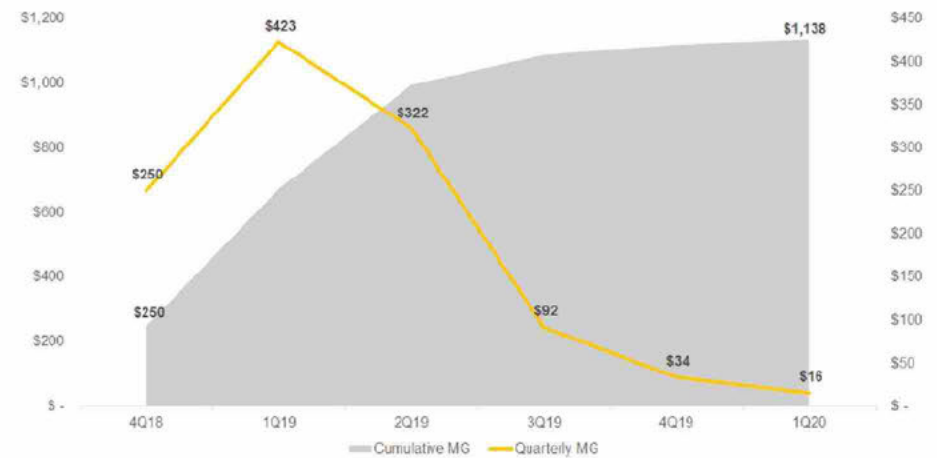
# MG Summary

Sharp Slowdown in MGs Signed since 3Q19

## Release vs Pipeline MG



## MG Signed



Over 50% MG signed is now released

YTD MG signed @ \$16mm vs \$423mm in 1Q19



\* Does not include Ubisoft back-catalog

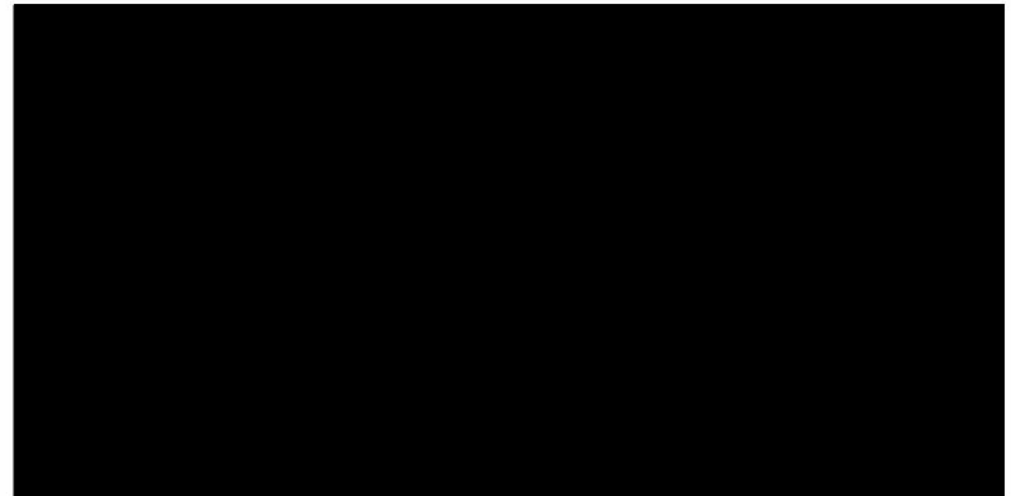
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# Free Games Summary

## Free Game Spend Breakdown

Free Games	Commitments
Test Flight	\$58
Other Free Games	\$13
<b>Total Committed</b>	<b>\$71</b>
2020 Potential Commitments	\$7
2021 Potential Commitments	\$30
Additional Opportunistic Buyouts	\$30
<b>Total</b>	<b>\$138</b>



## Additional Opportunistic

2020 Free Program Needs		
Tier 1 (2)	\$5,000,000	\$10,000,000
Tier 2 (7)	\$2,000,000	\$14,000,000
Tier 3 (4)	\$700,000	\$2,800,000
	<b>Total:</b>	<b>\$26,800,000</b>



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# Epic Games Publishing

## Current Deals Starts

(in \$ Millions)

Developer	Title	Release	2020	2021	2022	2023	2024	2025	2027	Lifetime Net	ROI	IRR	
<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div></div>	Projected Costs	(8.2)	(11.5)	(12.8)	(28.7)	(5.1)	-	-	(66.2)		
			Projected Revenue	-	-	-	27.4	35.3	6.6	6.0	75.2		
			Cash Impact	(8.2)	(11.5)	(12.8)	(1.3)	30.2	6.6	6.0	9.0	14%	8%
<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div></div>	Projected Costs	(5.7)	(7.4)	-	-	-	-	-	(13.0)		
			Projected Revenue	-	13.9	1.7	1.7	1.0	-	-	18.4		
			Cash Impact	(5.7)	6.5	1.7	1.7	1.0	-	-	5.3	41%	43%
<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div></div>	Projected Costs	(11.3)	(13.6)	(23.1)	(2.9)	-	-	-	(50.9)		
			Projected Revenue	-	-	42.7	15.2	6.8	5.7	-	70.3		
			Cash Impact	(11.3)	(13.6)	19.5	12.2	6.8	5.7	-	19.4	38%	25%
<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div></div>	Projected Costs	(12.1)	(6.2)	(6.2)	(6.2)	(15.1)	-	-	(45.9)		
			Projected Revenue	-	-	-	-	52.7	6.6	6.6	68.5		
			Cash Impact	(12.1)	(6.2)	(6.2)	(6.2)	37.6	6.6	6.6	22.6	49%	17%
<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div></div>	Projected Costs	(1.0)	(0.5)	(1.8)	(0.1)	-	-	-	(3.3)		
			Projected Revenue	-	-	3.3	0.9	0.5	0.4	0.3	5.5		
			Cash Impact	(1.0)	(0.5)	1.5	0.9	0.5	0.4	0.3	2.1	63%	38%
<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div></div>	Projected Costs	(1.7)	(3.4)	(6.1)	(0.4)	-	-	-	(11.6)		
			Projected Revenue	-	-	9.6	4.7	1.8	1.5	1.0	18.5		
			Cash Impact	(1.7)	(3.4)	3.4	4.3	1.8	1.5	1.0	6.9	60%	37%
Net Cash Impact			(39.9)	(28.6)	7.2	11.5	77.9	20.8	13.9	65.4	34%	18%	

1 ADD Cash out for additional prototype title

Expected cash outflow of \$40mm in 2020 from deals currently in place



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**Slide 16**

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- 1 waiting for number. total is \$2.0755m but dont have the breakdown/spend by MS yet  
Hector Sanchez, 5/26/2020

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# Epic Games Publishing

## 2020 Deal Start - Additional Pipeline

2

### Projected 2020 Pipeline

- 2 Live - Service Titles
- 1 Tier 1 Title
- 2 Tier 2 Titles
- 2 Tier 3/Prototype Titles

### Tier Cost/Revenue Expectations

Tier	Revenue	Dev Cost	Marketing	Go-to-Market	Live Ops	Total Cost
Live Service	\$250	\$50	\$20	\$2	\$42	\$114
Tier 1	\$115	\$40	\$10	\$2	-	\$52
Tier 2	\$55	\$18	\$5	\$1	-	\$24
Tier 3	\$15	\$5	\$1	\$0.5	-	\$7

### Current Pipeline

Pipeline	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Gross Revenue	-	-	-	248	229	137	61	55	25	-	-	755
Platform Fee	-	-	-	(59)	(55)	(33)	(15)	(13)	(6)	-	-	(181)
Net Revenue	-	-	-	188	174	104	46	42	19	-	-	574
<b>Costs</b>												
Rev Share	-	-	-	-	(29)	(37)	(16)	(16)	(7)	-	-	(105)
Dev Cost	(22)	(56)	(70)	(53)	(27)	(18)	(12)	(8)	(3)	-	-	(268)
Marketing Cost	-	-	-	(44)	(11)	(7)	-	-	-	-	-	(62)
GTM Cost	-	-	-	(9)	-	-	-	-	-	-	-	(9)
Hosting	-	-	-	(6)	(8)	(5)	(3)	(3)	(1)	-	-	(25)
Total Cost	(22)	(56)	(70)	(112)	(74)	(67)	(30)	(26)	(12)	-	-	(469)
Gross Profit	(22)	(56)	(70)	76	101	37	16	16	7	-	-	105

ROI: 30%



PX-2469.18

**Slide 17**

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- 2 currently there are 2 prototype deals and 1 tier 3 deal.  
Hector Sanchez, 5/26/2020

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# Epic Games Publishing

## 5 Yr Model

Expected Annual Deal Starts		Annual Cost Commitments and Rev Expectations						
<ul style="list-style-type: none"><li>2 Live Service/Tier 1 Titles</li><li>2 Tier 2 Titles</li><li>4 Tier 3/Prototype Titles</li></ul>		Tier	Revenue	Dev Cost	Marketing	Go-to-Market	Live Ops	Total Cost
		Live Service	\$250	\$50	\$20	\$2	\$42	\$114
		Tier 1	\$115	\$40	\$10	\$2	-	\$52
		Tier 2	\$110	\$35	\$10	\$2	-	\$47
		Tier 3	\$60	\$20	\$4	\$2	-	\$26
		Total	\$535	\$145	\$44	\$8	\$42	\$239
Illustrative: Last deal signed in 2024								

Illustrative: Last deal signed in 2024

5 Yr Forecast												
5 Yr Model	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Gross Revenue	-	19	74	333	572	551	550	554	360	175	82	3,269
Platform Fee	-	(4)	(15)	(78)	(136)	(131)	(132)	(133)	(86)	(42)	(20)	(777)
<b>Net Revenue</b>	<b>-</b>	<b>15</b>	<b>59</b>	<b>255</b>	<b>436</b>	<b>419</b>	<b>418</b>	<b>421</b>	<b>273</b>	<b>133</b>	<b>62</b>	<b>2,492</b>
<b>Costs</b>												
Rev Share	-	-	-	-	(69)	(58)	(30)	(136)	(108)	(52)	(24)	(477)
Dev Cost	(62)	(111)	(160)	(185)	(183)	(167)	(127)	(74)	(35)	(20)	(11)	(1,137)
Marketing Cost	-	(4)	(15)	(59)	(61)	(48)	(44)	(43)	(12)	(4)	-	(289)
GtM Cost	-	-	-	(9)	(8)	(8)	(8)	(8)	-	-	-	(41)
Hosting	-	-	-	(6)	(11)	(12)	(12)	(13)	(10)	(6)	(3)	(73)
<b>Total Cost</b>	<b>(62)</b>	<b>(115)</b>	<b>(176)</b>	<b>(259)</b>	<b>(331)</b>	<b>(293)</b>	<b>(221)</b>	<b>(275)</b>	<b>(165)</b>	<b>(81)</b>	<b>(38)</b>	<b>(2,015)</b>
<b>Gross Profit</b>	<b>(62)</b>	<b>(100)</b>	<b>(117)</b>	<b>(4)</b>	<b>105</b>	<b>127</b>	<b>198</b>	<b>146</b>	<b>108</b>	<b>52</b>	<b>24</b>	<b>477</b>



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# Epic Games Publishing

## Staffing Plan

Strategy	P1 Hires
<ul style="list-style-type: none"> <li>Keep Staffing Lean (Hires MUST Be Multi-Use)</li> <li>Mix of Internal Transfers + External Hires</li> <li>Will Make Adjustments as Titles Increase</li> </ul>	<ul style="list-style-type: none"> <li>EGP Marketing Director</li> <li>EGP/EGS PR + Communications Director</li> <li>2 Producers</li> </ul>

5 Yr Forecast																						
	Discipline	Roles	2020				2021				2022				2023				2024			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Production	Producer																				
		Producer																				
		Creative Director																				
		Live Ops Producer																				
		Associate Producer																				
2	Marketing + Communications	Marketing Director																				
		PR + Comms Director																				
		Marketing Manager																				
		Marketing Manager																				
		Community Manager																				
3	Tech	- Tech Director (Joe Graf)																				
		- Technical Account Manager																				
4	Release Management	QA Manager																				
		Release Manager																				



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# Appendix

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# MG Summary

Current Recoup at 37% with \$450 million in Outstanding MG Commitments

MG Commitments - Cumulative							
Cumulative MG Commitments	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	QTD
Released Titles MG	\$23	\$123	\$242	\$302	\$544	\$582	\$X
Pipeline Titles MG	\$277	\$550	\$754	\$696	\$578	\$556	\$X
<b>Total Cumulative MG</b>	<b>\$250</b>	<b>\$673</b>	<b>\$996</b>	<b>\$1088</b>	<b>\$1122</b>	<b>\$1138</b>	<b>\$X</b>
Cumulative MG Cash Payments	(\$28)	(\$213)	(\$374)	(\$434)	(\$599)	(\$660)	\$X
<b>Outstanding MG Commitments</b>	<b>\$222</b>	<b>\$461</b>	<b>\$621</b>	<b>\$654</b>	<b>\$563</b>	<b>\$477</b>	<b>\$X</b>

Recoup							
Life to Date Recoup	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	QTD
Released Titles MG	\$23	\$123	\$242	\$302	\$544	\$582	\$X
Cumulative Recoup	\$2	\$27	\$58	\$144	\$198	\$215	\$X
<b>Total MG</b>	<b>7%</b>	<b>22%</b>	<b>24%</b>	<b>37%</b>	<b>36%</b>	<b>37%</b>	<b>\$X</b>

MG Commitments - Quarterly							
Quarterly Net MG Commitments	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	QTD
Total MG	\$250	\$423	\$322	\$92	\$32	\$16	\$X
MG Cash Payments	(\$28)	(\$185)	(\$161)	(\$60)	(\$125)	(\$101)	\$X
<b>MG Commitments</b>	<b>\$222</b>	<b>\$238</b>	<b>\$168</b>	<b>\$33</b>	<b>(\$81)</b>	<b>(\$86)</b>	<b>\$X</b>

Title Related Commitments (thru Apr-20)			
Type	Paid	Committed	Total
Minimum Guarantee	\$660	\$542	\$1,202
Free Games	\$92	\$39	\$131
License/Exclusivity Fee	\$27	\$15	\$42
Marketing Commitments	\$26	\$32	\$58
<b>Total</b>	<b>\$805</b>	<b>\$613</b>	<b>\$1,433</b>



\* Does not include Ubisoft back-catalog

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# Quarterly MG

XXX

## Old

- MG
- Licensing
- Free
- Catalog

## Current

- MG
- Licensing
- Free
- Catalog
- EGP



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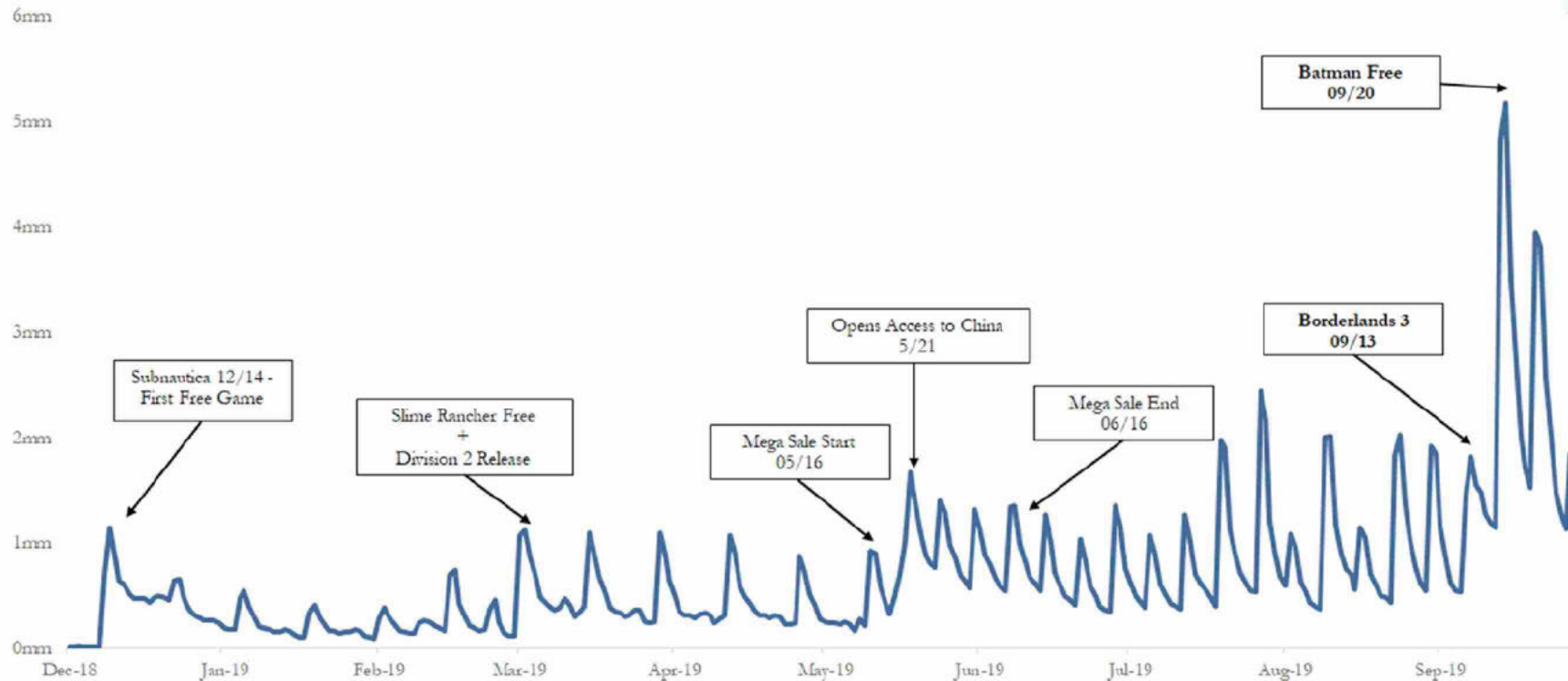
# Store Users and Monetization

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# Daily Active Users

Update



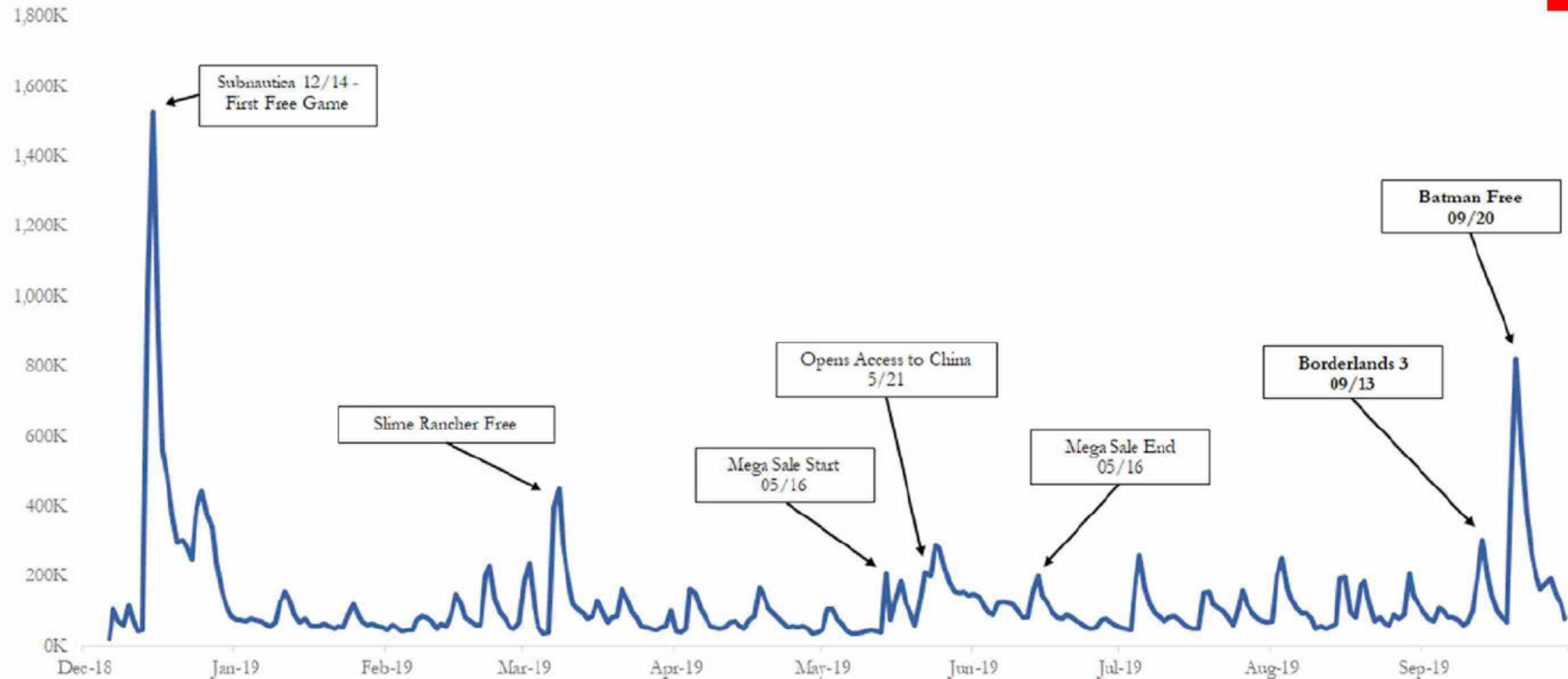
**Continuous Growth in DAU driven by Exclusives, Promotions and Free Games**



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# New Store Users by Day

Update



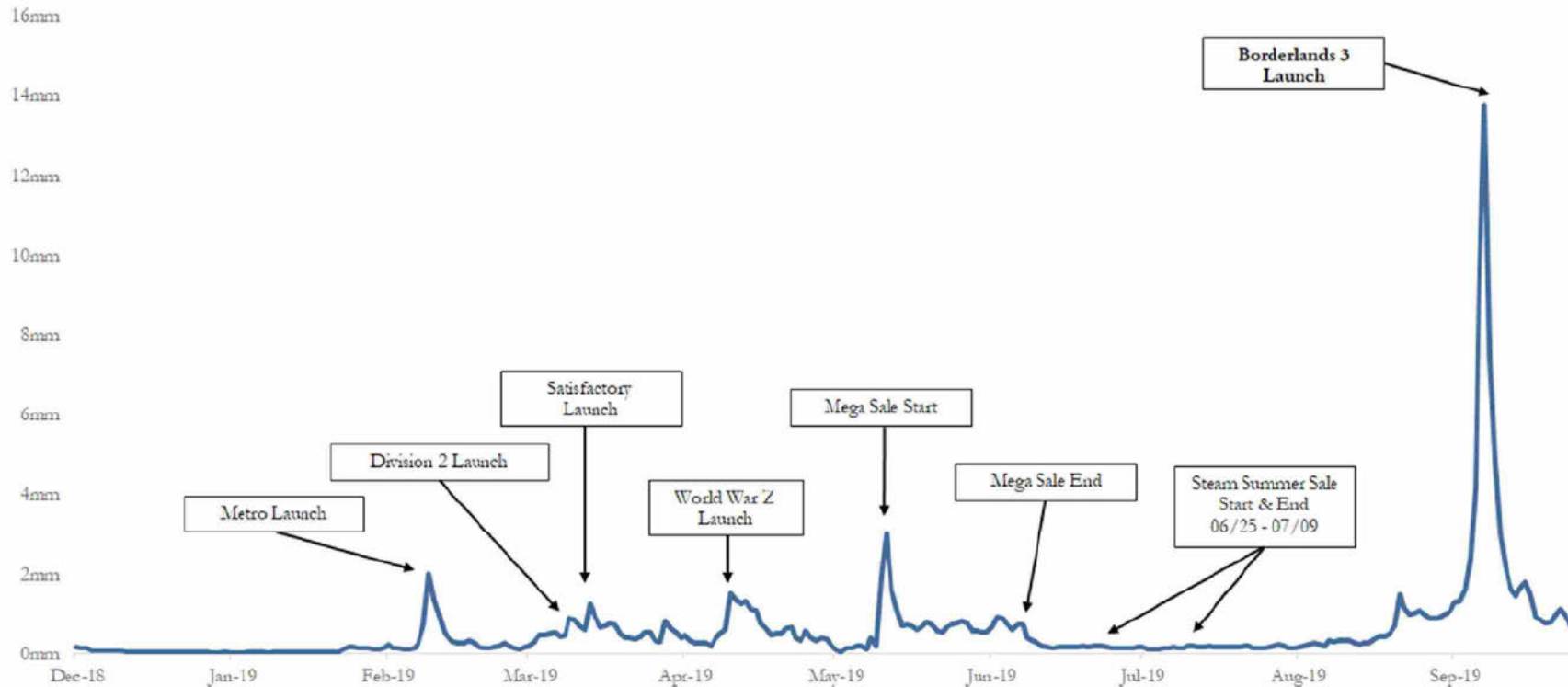
***First Entitlements/Day remain very active & are a view used to show events that drive initial EGS action***



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# Epic Games Store Daily Revenue

Update



**Gross Revenue since launch in December 2018 of ~\$190 million with monthly revenue in September 2019 alone of ~\$82 million**



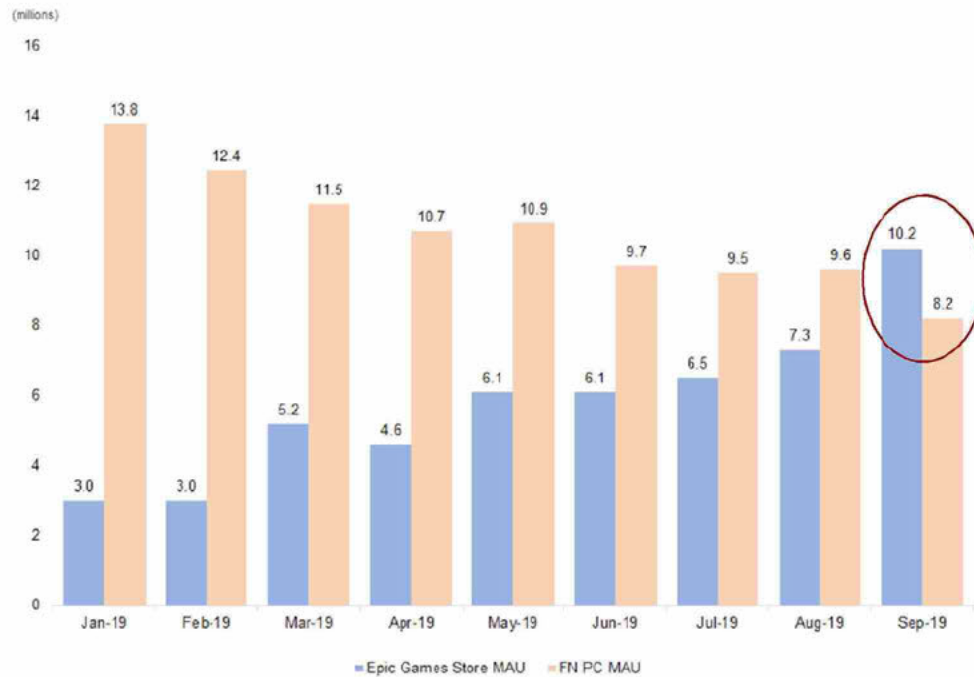


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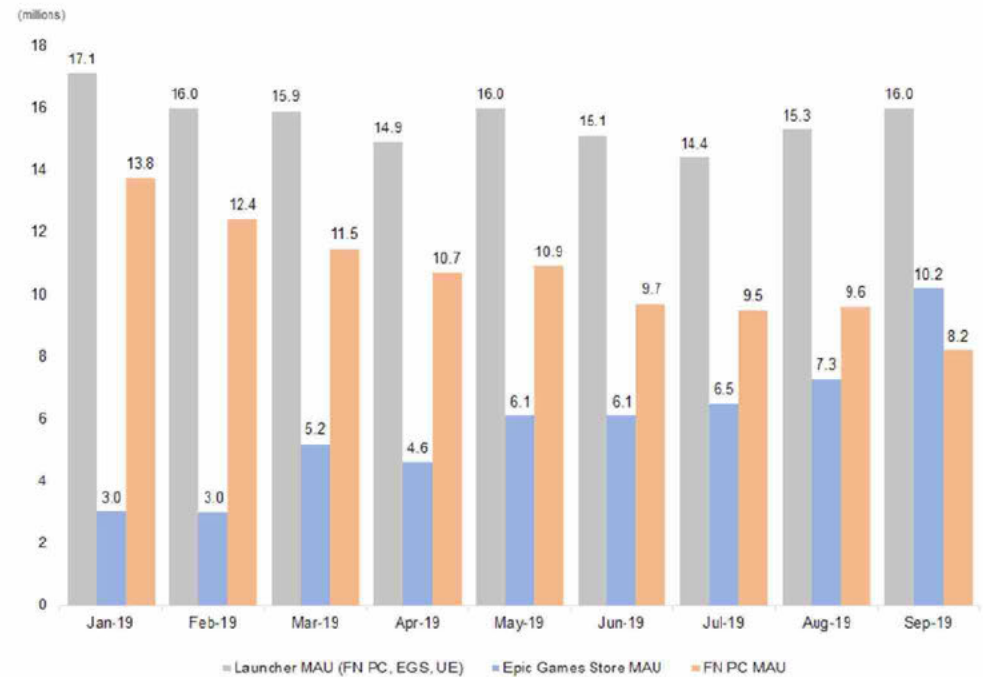
# EGS, FN PC & Epic Launcher MAU 2019 YTD

Update

## EGS MAU Surpassed Fortnite PC in September



## Ecosystem MAU: Launcher, EGS, Fortnite PC



**Launcher MAU includes UE Marketplace, EGS & Fortnite PC**

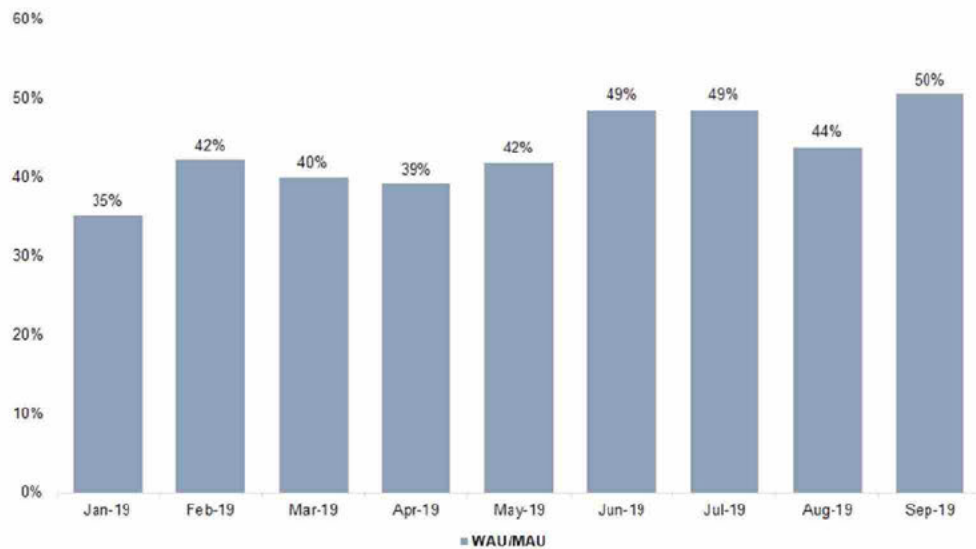


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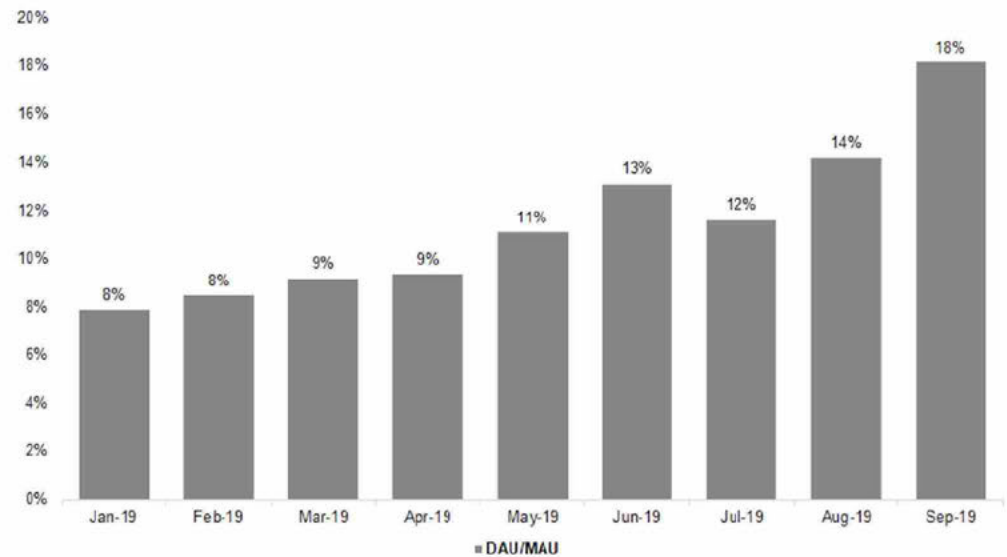
# Epic Games Store WAU/MAU & DAU/MAU

Update

Weekly / Monthly Active Users



Daily / Monthly Active Users



**Continuous Growth in Daily and Weekly Engagement driven by Exclusives and Free Games**



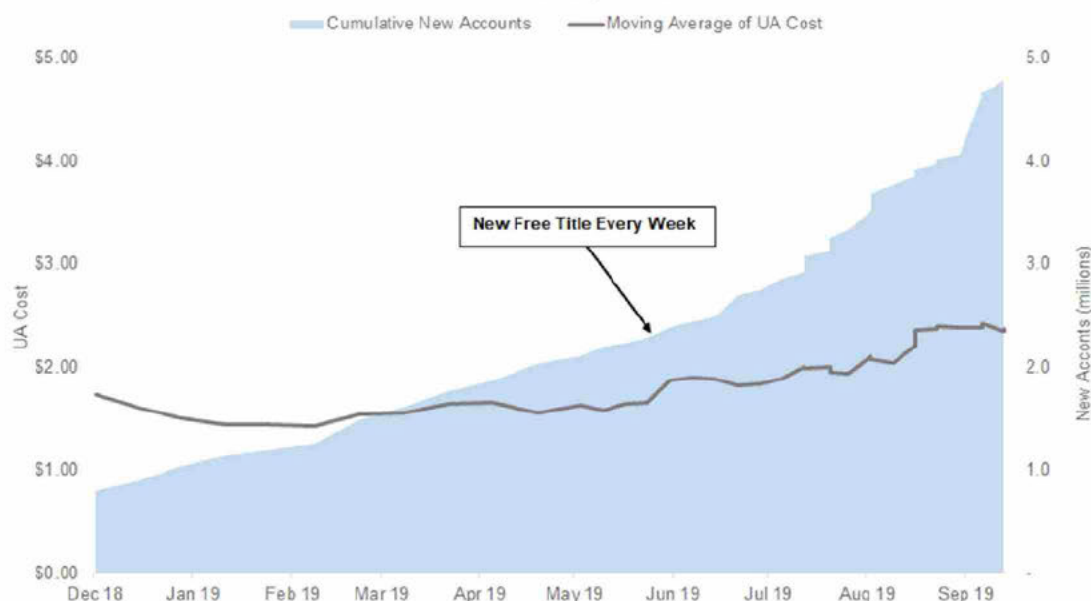
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# EGS Free Games LTD

OLD

Title	Seller	Start Date	Entitlements	Buyout Price	New Epic Accounts	EPIC UA Cost	New to Epic %
Subnautica	Unknown Worlds	12/14/2018	4,634,826	\$1,400,000	804,052	\$1.74	17%
Super Meat Boy	Team Meat	12/28/2018	1,756,421	\$50,000	97,042	\$0.52	6%
What Remains of Edith Finch	Annapurna	1/10/2019	1,684,926	\$125,000	141,329	\$0.88	8%
Jackbox Party Pack	Jackbox	1/24/2019	1,416,906	\$60,000	94,414	\$0.64	7%
Awem Verge	Thomas Happ	2/7/2019	1,297,299	\$80,000	52,037	\$1.54	4%
Thimbleweed Park	Terrible Toybox	2/21/2019	1,973,778	\$85,000	73,198	\$1.16	4%
Slime Rancher	Monomi Park	3/7/2019	3,417,371	\$500,000	226,597	\$2.21	7%
Oxentree	NightSchool	3/21/2019	2,340,652	\$200,000	123,871	\$1.61	5%
The Witness	Thekla	4/4/2019	2,766,867	\$400,000	148,793	\$2.69	5%
Transistor	Supergiant	4/18/2019	2,505,024	\$200,000	111,617	\$1.79	4%
World of Goo	2D Boy	5/2/2019	2,436,304	\$50,000	155,215	\$0.32	6%
Stories Untold	Devolver Digital	5/16/2019	2,261,398	\$300,000	82,250	\$3.65	4%
Roller	Six Feet	5/23/2019	2,434,212	\$45,000	95,705	\$0.47	4%
City of Brass	Uppercut	5/30/2019	2,105,605	\$200,000	32,359	\$6.18	2%
Kingdom New Lands	Raw Fury	6/6/2019	2,166,125	\$100,000	45,632	\$2.19	2%
Enter the Gungeon	Devolver Digital	6/13/2019	2,792,191	\$700,000	112,859	\$6.20	4%
Rebel Galaxy	Double Damage	6/20/2019	2,126,164	\$125,000	41,812	\$2.99	2%
Last Day of June	505 Games S.r.l.	6/27/2019	2,001,838	\$75,000	50,897	\$1.48	3%
Overcooked	Team17 Digital	7/4/2019	3,011,206	\$225,000	206,275	\$1.09	7%
Torchlight	Perfect World	7/11/2019	2,144,476	\$150,000	54,809	\$2.74	3%
Limbo	Playdead	7/18/2019	2,672,569	\$350,000	115,217	\$3.04	4%
Moonlighter	11 Bit Studios	7/25/2019	2,766,640	\$450,000	66,632	\$6.75	2%
This War of Mine	11 Bit Studios	7/25/2019	2,777,885	\$250,000	140,156	\$1.78	5%
Alan Wake	Remedy	8/2/2019	2,867,671	\$150,000	63,286	\$2.37	2%
For Honor	Ubisoft	8/2/2019	3,048,725	\$63,000	118,257	\$0.53	4%
GNOG	KO_OP	8/8/2019	2,087,429	\$100,000	73,718	\$1.36	4%
Mutant Year Zero	Funcem	8/15/2019	3,023,084	\$1,000,000	197,845	\$5.05	7%
Hyper Light Drifter	HeartMachine	8/15/2019	2,726,839	\$200,000	152,909	\$1.31	6%
Fez	Polytron	8/22/2019	2,504,645	\$75,000	107,303	\$0.70	4%
Inside	Playdead	8/29/2019	2,710,879	\$800,000	71,942	\$11.12	3%
Celeste	Matt Makes Games	8/29/2019	2,705,525	\$750,000	62,523	\$12.00	2%
ABZU	505 Games S.r.l.	9/5/2019	2,642,880	\$150,000	56,471	\$2.66	2%
The End is Nigh	Edmund McMillen	9/5/2019	2,422,807	\$200,000	27,352	\$7.31	1%
Canary	Iceberg Interactive	9/12/2019	2,601,327	\$50,000	53,304	\$0.94	2%
Batman Arkham	Warner Bros.	9/19/2019	6,446,904	\$1,500,000	613,912	\$2.44	10%
LEGO Batman	Warner Bros.	9/19/2019	5,266,028	\$300,000	46,991	\$6.38	1%
Metro: 2033 Redux	Koch Media	9/26/2019	4,546,873	\$0	169,872	\$0.00	4%
Everything	Davis O'Reilly	9/26/2019	3,544,541	\$200,000	35,830	\$5.58	1%
<b>Grand Total</b>			<b>194,576,840</b>	<b>\$11,658,000</b>	<b>4,324,213</b>	<b>\$2.37</b>	<b>5%</b>

Moving Average of UA costs & Cumulative New Accounts  
December 2018 to September 2019



**~100mm entitlements ~5.0M/5% New Accounts w/UA Cost of \$2.37/New Account**



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# Epic Games Store Users & Purchases LTD

Update

## Acquired first via Paid Game:



2.2 million unique users were first acquired via a paid game

## Acquired first via Free Game:



18.5 million unique users were first acquired via an EGS free game & ~1.3mm/~7% have become payers

**~21mm unique users LTD. ~7% of Users acquired via a Free Game have made a purchase**



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# Paid Unique Users - More Detail

Update

## Acquired first via Paid Game:

$$2.2\text{mm} \rightarrow 2.2\text{mm}/100\% \text{ CR} \times \$48.70 \text{ LTD ARPPU} = \$107\text{mm LTD}$$

2.2 million unique users were first acquired via a paid game, these players fall into 3 subgroups:

Almost 50% Paid Users are completely new to the Epic ecosystem

1.1mm/49% New to Epic	1.1mm/100% CR	\$41.90 LTD ARPPU	\$46mm/~43%
1.0mm/45% Lapsed from FN	1.0mm/100% CR	\$54.70 LTD ARPPU	\$55mm/~51%
0.1mm/6% Active in FN/EGS	0.1mm/100% CR	\$51.70 LTD ARPPU	\$6mm/~6%

Of users first acquired via a Paid Game to date, only 6% are active FN players





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## Free Game Users & Conversion to Payers - More Detail

Update

### Acquired first via Free Game:

$$18.5\text{mm} \rightarrow 1.32\text{mm}/7.13\% \text{ CR} \times \$40.00 \text{ LTD ARPPU} = \$53\text{M LTD}$$

18.5 million unique users were first acquired via an EGS free game & ~1.3M/~7% have become payers, these players fall into 3 subgroups:

Lapsed Fortnite players have highest conversion and ARPPU

5.5mm/30% New to Epic	291K/ 5.34% CR	\$36.30 LTD ARPPU	\$11mm/20% of Free Game to Payers
9.9mm/53% Lapsed from FN	814K/ 8.23% CR	\$41.50 LTD ARPPU	\$34mm/64% of Free Game to Payers
3.1mm/17% Active in FN/EGS	217K/ 7.00% CR	\$38.90 LTD ARPPU	\$8mm/16% of Free Game to Payers

**53% of users first acquired via a Free Game are lapsed Fortnite players, they are also the most active payers**



## Speaker Notes for Slide 30

Highlight the 8.23%



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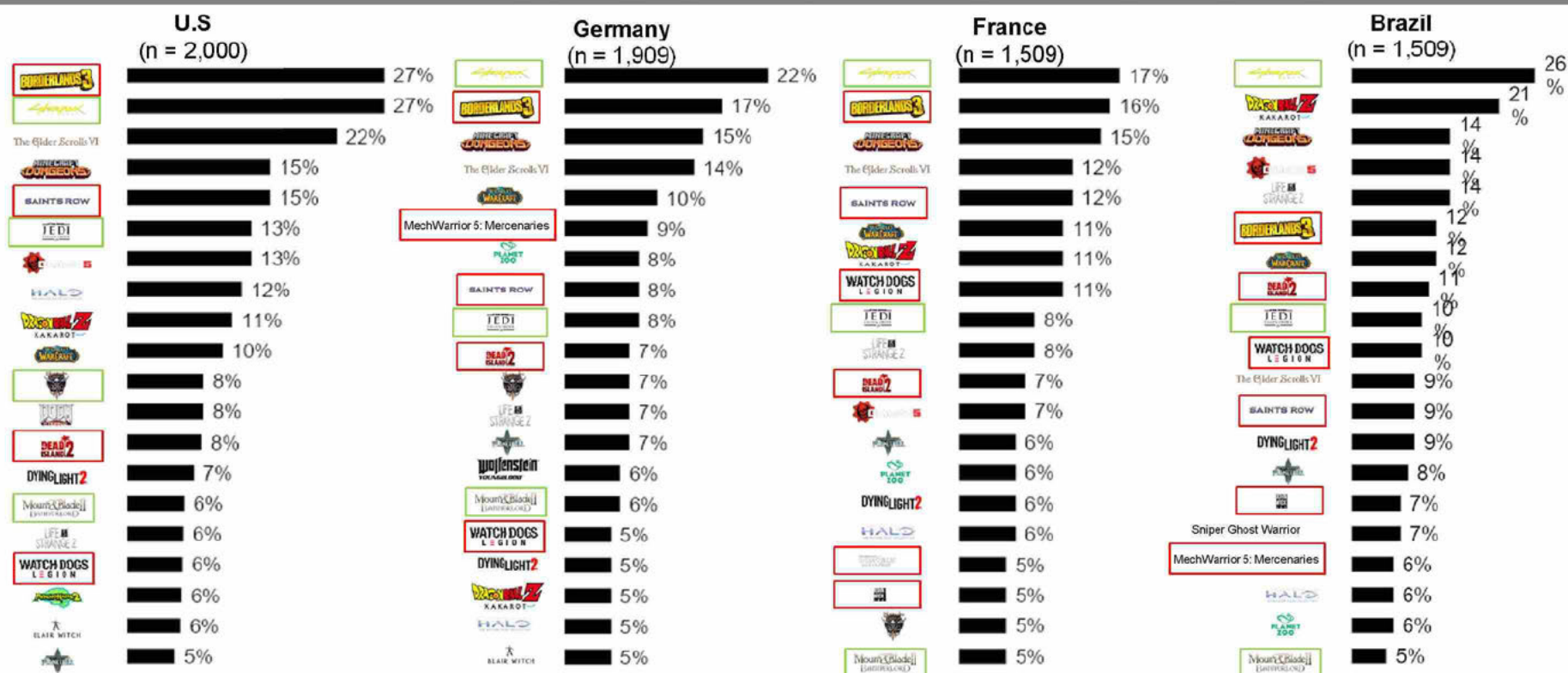
# What's Next? Most Anticipated PC Games\*

OLD

**Red** = Epic Games Store exclusive, **Green** = Sim ship on Steam/PC stores

(Aug 2019 EGS Blind survey)

Which of the following upcoming PC games are you most looking forward to? (Select up to five.)



Note: Only the top 20 most selected games for each region are shown. Only announced games

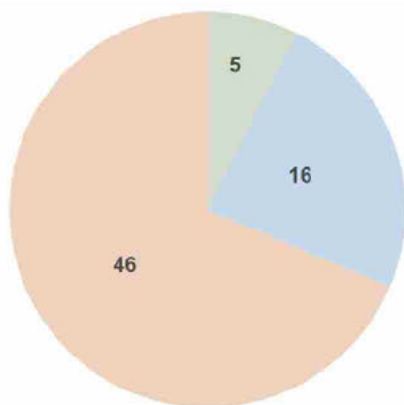


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# Recoup Performances Vary Significantly Across Tiers

(\$ millions, except per payer figures)		Minimum Guarantee		LTD Revenue (thru Mar-20)		Recoup % (thru Mar-20)				Unrecouped MG Cost per Payer	
Tiers	Tier MG	Range	Mean   Median	Range	Mean   Median	Current	Lifetime Forecast	Adj. Current	Adj. Lifetime Forecast	Cost per New EGS Payer	Cost per New EGS User
Tier 1	MG ≥ \$30	\$35 - \$80	\$48   \$37	\$11 - \$93	\$32   \$18	61%	70%	40% (ex - Borderlands 3)	52% (ex - Borderlands 3)	\$24	\$37
Tier 2	\$10 ≤ MG < \$30	\$10 - \$25	\$13   \$11	\$0.1 - \$19.5	\$3.5   \$2.3	24%	36%	19% (ex - Satisfactory)	31% (ex - Satisfactory)	\$88	\$149
Tier 3	MG < \$10	\$0.2 - \$9.0	\$2.8   \$2.2	\$0.0 - \$6.4	\$0.5   \$0.1	15%	20%	12% (ex - Daurtless)	16% (ex - Daurtless)	\$215	\$379
Total						37%	48%	24%	30%	\$63	\$101

Released MG Title Count



Revenue and MG by Tier, millions (through 1Q20)



PX-2469.37

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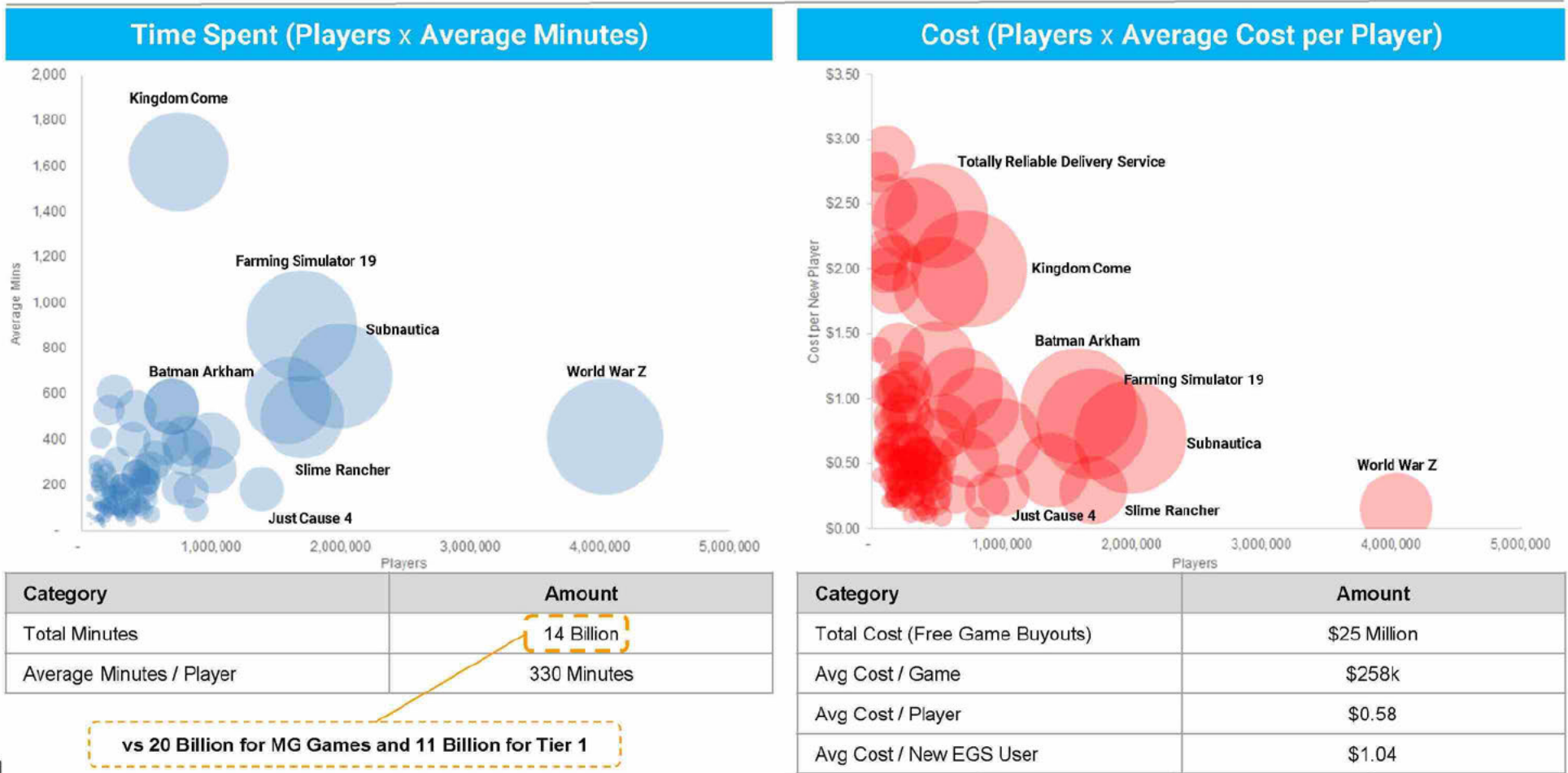
# Key Titles Capture Lion's Share of Engagement and Revenue

---



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# Free Games: Engagement and Cost

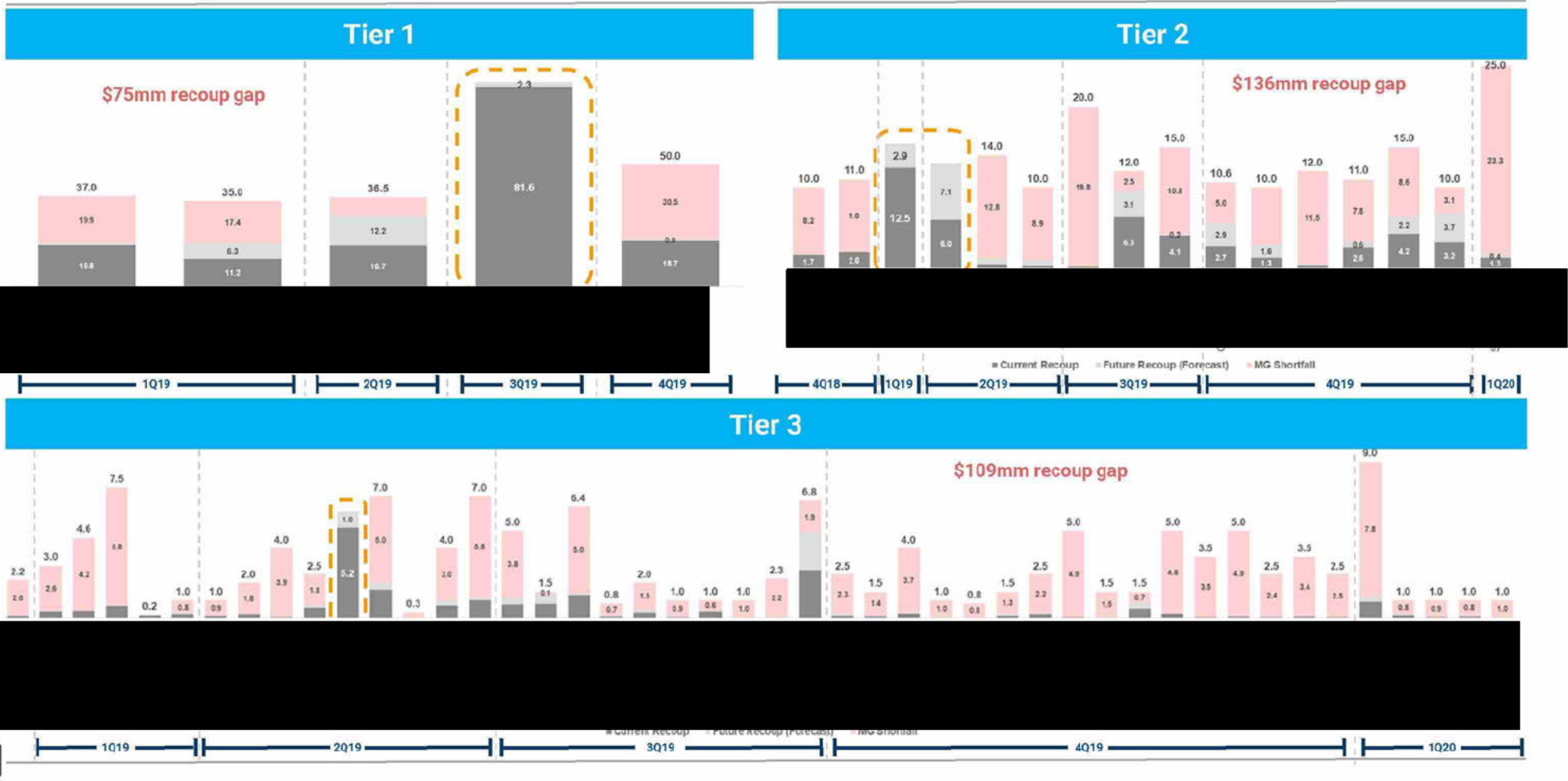


PX-2469.39

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# Recoup Trends Remain Challenging

Each Tier only has had a single title hit its MG target



PX-2469.40



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# MG Summary

Current Recoup at 37% with \$450 million in Outstanding MG Commitments

MG Commitments - Cumulative						
Cumulative MG Commitments	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Released Titles MG	\$23	\$123	\$242	\$392	\$544	\$582
Pipeline Titles MG	\$277	\$550	\$754	\$696	\$578	\$556
<b>Total Cumulative MG</b>	<b>\$250</b>	<b>\$673</b>	<b>\$996</b>	<b>\$1088</b>	<b>\$1122</b>	<b>\$1138</b>
Cumulative MG Cash Payments	(\$28)	(\$213)	(\$374)	(\$434)	(\$599)	(\$660)
<b>Outstanding MG Commitments</b>	<b>\$222</b>	<b>\$461</b>	<b>\$621</b>	<b>\$654</b>	<b>\$563</b>	<b>\$477</b>

Recoup						
Life to Date Recoup	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Released Titles MG	\$23	\$123	\$242	\$392	\$544	\$582
Cumulative Recoup	\$2	\$27	\$58	\$144	\$198	\$215
<b>Total MG</b>	<b>7%</b>	<b>22%</b>	<b>24%</b>	<b>37%</b>	<b>36%</b>	<b>37%</b>

MG Commitments - Quarterly						
Quarterly Net MG Commitments	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Total MG	\$250	\$423	\$322	\$92	\$32	\$16
MG Cash Payments	(\$28)	(\$185)	(\$161)	(\$60)	(\$125)	(\$101)
<b>MG Commitments</b>	<b>\$222</b>	<b>\$238</b>	<b>\$168</b>	<b>\$33</b>	<b>(\$91)</b>	<b>(\$86)</b>

Title Related Commitments (thru Apr-20)			
Type	Paid	Committed	Total
Minimum Guarantee	\$660	\$542	\$1,202
Free Games	\$92	\$39	\$131
License/Exclusivity Fee	\$27	\$15	\$42
Marketing Commitments	\$26	\$32	\$58
<b>Total</b>	<b>\$805</b>	<b>\$613</b>	<b>\$1,433</b>



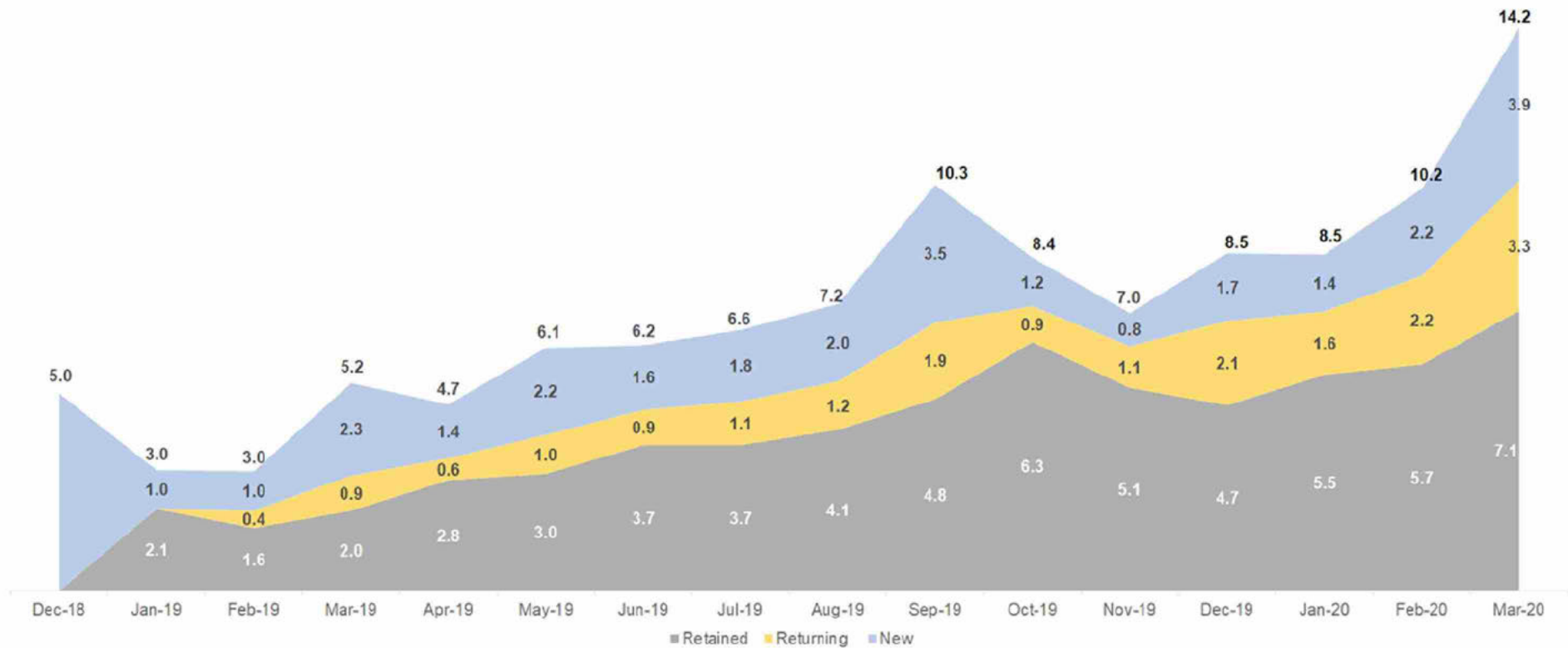
\* Does not include Ubisoft back-catalog

PX-2469.41

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# Store MAUs Are Growing...

Update



MAU increases driven by **Improved Retention** and **Increased New Users** coming to the Platform



PX-2469.42

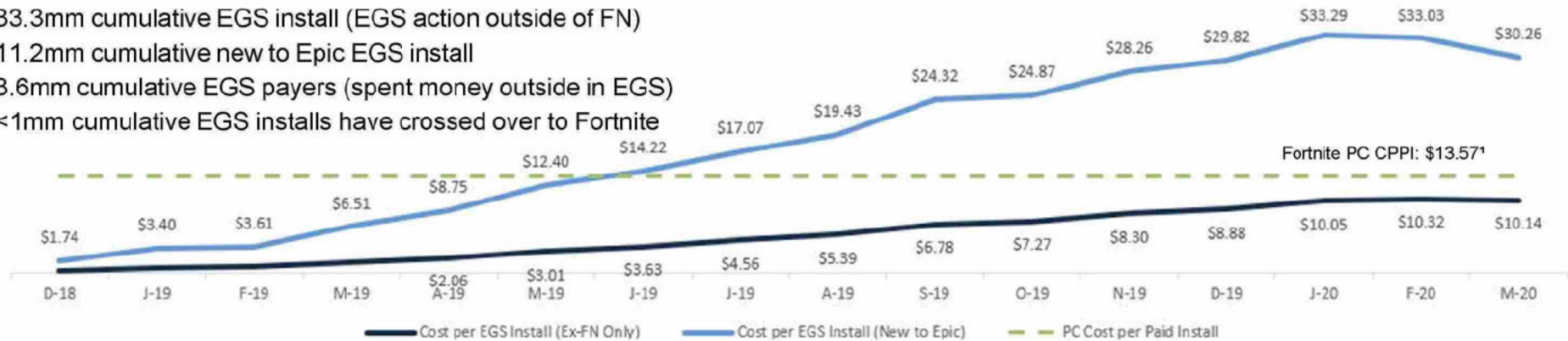


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# EGS Implied CAC vs Revenue of a Fortnite PC User

## Implied Cost per Epic Game Store Install Over Time Based on Cumulative Epic Store Losses

- 33.3mm cumulative EGS install (EGS action outside of FN)
- 11.2mm cumulative new to Epic EGS install
- 3.6mm cumulative EGS payers (spent money outside in EGS)
- <1mm cumulative EGS installs have crossed over to Fortnite



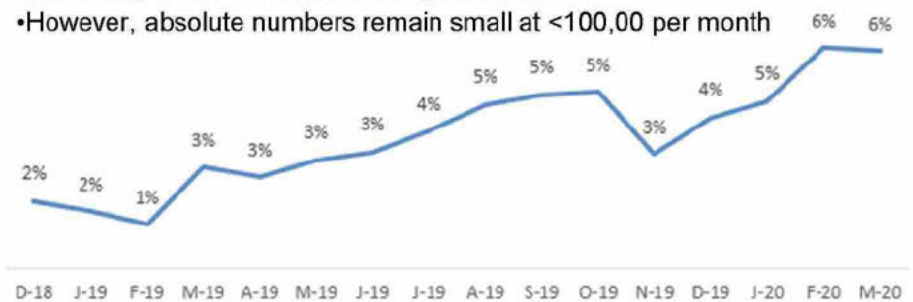
## 12-Month Revenue of a Fortnite PC User by Cohort

For example: a Fortnite user that joined in March 2019, has spent \$4.69 after 12 months (March 2019 – Feb 2020)



## % of Monthly Fortnite PC Installs that Come from EGS

- Increasing % of PC installs coming from EGS
- However, absolute numbers remain small at <100,00 per month



\*CPPI data from Fortnite PC paid media spend March 2018 – April 2019.

PX-2469.43

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# Store

## 5 Year P&L View

PX-2469.44

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# **MG Games**

## **5 Year P&L View**

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# Free Games 5 Year P&L View

PX-2469.46

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# Assumptions | Revenue Build

OLD

## Revenue Assumptions

## Assumption Detail

		2019	2020	2021	2022	2023	2024	
1.	Model based on ~110 signed titles and pipeline (non-signed) titles	Total Signed Deals (Sept '19)	56	45	4			
		Minimum Gaurantees (\$ in mm)	\$542	\$444	\$52			
		Expected Lifetime Recoup	62%	82%	90%			
1.	Pipeline (non-signed) titles are driven by projected number of MG and non-MG titles by tier	<b>Titles</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
		Tier 1		1	6	6	6	6
		Tier 2		2	14	17	17	17
		Tier 3&4		27	125	302	318	318
		Catalogue Titles		300	500	700	1,000	250
		Total Pipeline (Non-Signed) Deals		330	645	1,025	1,341	591
1.	Revenue on pipeline MG titles are based on lifetime revenue of a comparable games relative to tier	<b><u>Lifetime revenue / title for pipeline titles with minimum guarantees (exclusives)</u></b>						
		<ul style="list-style-type: none"><li>• Tier 1: \$60mm</li><li>• Tier 2: \$30mm</li><li>• Tier 3: \$7.5mm</li><li>• Tier 4: \$2.5mm</li></ul>						
1.	Revenue of pipeline non-MG titles are based on market share of capture of the title based on tier	<b><u>% market share capture of non-exclusive titles</u></b>						
		<ul style="list-style-type: none"><li>• Aggressive pursuit scenario: 20% up to 50%</li><li>• Aggressive pursuit scenario (Steam reacts): 20% up to 30%</li><li>• Winding down scenario: 20% down to 8%</li></ul>						
1.	Lifetime revenue earned over typical game decay curve	<ul style="list-style-type: none"><li>• Tier 1 and 2 titles lifetime revenue earnout: 50% in Y1, 30% in Y2, 15% in Y3 and 5% in Y4</li><li>• Tier 3 and 4 titles lifetime revenue earnout: 40% in Y1, 40% in Y2, 15% in Y3 and 5% in Y4</li></ul>						

EPIC GAMES assumes launch dates of games average out to midpoint of the year

## Speaker Notes for Slide 42

Footnote: Assumes launch dates of games average out to mid point of year



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# Assumptions | Scenarios

OLD

## Assumptions

## Aggressive Pursuit Model

## Winding Down Model

1. # of **exclusive** deals (i.e. **minimum guarantee** deals) pursued

- Continue **aggressive investment in securing titles for an exclusive window** across tiers to drive users into the Store and gain market share

- Winding down underwriting **minimum guarantees** for exclusive titles in 2021

Total Exclusive Titles	2019	2020	2021	2022	2023	2024
Tier 1	2	2	5	4	4	4
Tier 2	12	15	11	10	12	12
Tier 3	7	14	16	12	8	8
Tier 4	35	23	20	10	10	10
Total Exclusive Titles (i.e. MGs)	56	54	52	36	34	34

Total Exclusive Titles	2019	2020	2021	2022	2023	2024
Tier 1	2	2	3	3	2	2
Tier 2	12	15	9	5	0	0
Tier 3	7	14	1	0	0	0
Tier 4	35	23	0	0	0	0
Total Exclusive Titles (i.e. MGs)	56	54	13	8	2	2

2. \$ **Minimum Guarantee** additions

MGs \$ in mm	2019	2020	2021	2022	2023	2024
Minimum Guarantee Additions	\$542	\$495	\$667	\$451	\$469	\$469

MGs \$ in mm	2019	2020	2021	2022	2023	2024
Minimum Guarantee Additions	\$542	\$495	\$352	\$220	\$80	\$80

3. **Structural improvements in MG deals**

Across both scenarios, this model reflects fundamental improvements in structuring exclusive deals given:

- Lifetime recoup (vs. one year recoup)
- Cross collateralization
- Ability to sign minimum guarantees at the lower end of comps due to the scaling of the store ecosystem

4. **Risk adjustment:** haircut on revenue across all games

- 25% portfolio risk to signed deals
- 20% portfolio risk to pipeline (non-signed) deals
- 30% portfolio risk to pipeline (non-signed) deals (Steam reacts)

- 25% portfolio risk to signed deals
- 15% down to 0% portfolio risk to pipeline (non-signed) deals

5. **Market Share Capture**

- 50% of all PC revenue if Steam doesn't react
- 35% of all PC revenue if Steam does react

- Build up to 20% of all PC store users and wind down to ~8% over time





## Speaker Notes for Slide 43

Get rid decimals from MG additions  
Change haircut and use "portfolio risk"

PX-2469.50

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# Assumptions | Revenue Build

OLD

Revenue Assumptions		Assumption Detail						
			2019	2020	2021	2022	2023	2024
1.	Model based on ~110 signed titles and pipeline (non-signed) titles	Total Signed Deals (Sept '19)	56	45	4			
		Minimum Gaurantees (\$ in mm)	\$542	\$444	\$52			
		Expected Lifetime Recoup	62%	82%	90%			
1.	Pipeline (non-signed) titles are driven by projected number of MG and non-MG titles by tier	<b>Titles</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
		Tier 1		1	6	6	6	6
		Tier 2		2	14	17	17	17
		Tier 3&4		27	125	302	318	318
		Catalogue Titles		300	500	700	1,000	250
		<b>Total Pipeline (Non-Signed) Deals</b>		<b>330</b>	<b>645</b>	<b>1,025</b>	<b>1,341</b>	<b>591</b>
1.	Revenue on pipeline MG titles are based on lifetime revenue of a comparable games relative to tier	<b><u>Lifetime revenue / title for pipeline titles with minimum guarantees (exclusives)</u></b> <ul style="list-style-type: none"><li>• Tier 1: \$60mm</li><li>• Tier 2: \$30mm</li><li>• Tier 3: \$7.5mm</li><li>• Tier 4: \$2.5mm</li></ul>						
1.	Revenue of pipeline non-MG titles are based on market share of capture of the title based on tier	<b><u>% market share capture of non-exclusive titles</u></b> <ul style="list-style-type: none"><li>• Aggressive pursuit scenario: 20% up to 50%</li><li>• Aggressive pursuit scenario (Steam reacts): 20% up to 30%</li><li>• Winding down scenario: 20% down to 8%</li></ul>						
1.	Lifetime revenue earned over typical game decay curve	<ul style="list-style-type: none"><li>• Tier 1 and 2 titles lifetime revenue earnout: 50% in Y1, 30% in Y2, 15% in Y3 and 5% in Y4</li><li>• Tier 3 and 4 titles lifetime revenue earnout: 40% in Y1, 40% in Y2, 15% in Y3 and 5% in Y4</li></ul>						

FP&A assumes launch dates of games average out to midpoint of the year

EPIC GAMES assumes launch dates of games average out to midpoint of the year

## Speaker Notes for Slide 44

Footnote: Assumes launch dates of games average out to mid point of year

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# Assumptions | Scenarios

OLD

## Assumptions

## Aggressive Pursuit Model

## Winding Down Model

1. # of **exclusive** deals (i.e. **minimum guarantee** deals) pursued

- Continue **aggressive investment in securing titles for an exclusive window** across tiers to drive users into the Store and gain market share

- Winding down underwriting **minimum guarantees** for exclusive titles in 2021

Total Exclusive Titles	2019	2020	2021	2022	2023	2024
Tier 1	2	2	5	4	4	4
Tier 2	12	15	11	10	12	12
Tier 3	7	14	16	12	8	8
Tier 4	35	23	20	10	10	10
Total Exclusive Titles (i.e. MGs)	56	54	52	36	34	34

Total Exclusive Titles	2019	2020	2021	2022	2023	2024
Tier 1	2	2	3	3	2	2
Tier 2	12	15	9	5	0	0
Tier 3	7	14	1	0	0	0
Tier 4	35	23	0	0	0	0
Total Exclusive Titles (i.e. MGs)	56	54	13	8	2	2

2. \$ **Minimum Guarantee** additions

MGs \$ in mm	2019	2020	2021	2022	2023	2024
Minimum Guarantee Additions	\$542	\$495	\$667	\$451	\$469	\$469

MGs \$ in mm	2019	2020	2021	2022	2023	2024
Minimum Guarantee Additions	\$542	\$495	\$352	\$220	\$80	\$80

3. **Structural improvements in MG deals**

Across both scenarios, this model reflects fundamental improvements in structuring exclusive deals given:

- Lifetime recoup (vs. one year recoup)
- Cross collateralization
- Ability to sign minimum guarantees at the lower end of comps due to the scaling of the store ecosystem

4. **Risk adjustment:** haircut on revenue across all games

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- 20% portfolio risk to pipeline (non-signed) deals
- 30% portfolio risk to pipeline (non-signed) deals (Steam reacts)

- 25% portfolio risk to signed deals
- 15% down to 0% portfolio risk to pipeline (non-signed) deals

5. **Market Share Capture**

- 50% of all PC revenue if Steam doesn't react
- 35% of all PC revenue if Steam does react

- Build up to 20% of all PC store users and wind down to ~8% over time



## Speaker Notes for Slide 45

Get rid decimals from MG additions  
Change haircut and use "portfolio risk"



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# 5 Year P&L and User Forecast

OLD

## Aggressive Pursuit Model

Illustrative: Last deal signed in 2024

	2019	2020	2021	2022	2023	2024	2025	2026	2027
All figures in millions, except per user									
<b>P&amp;L</b>									
Signed Deals	\$213	\$375	\$183	\$58	\$21	\$9	\$4	\$0	\$0
Pipeline (Non-Signed Deals)	-	24	363	883	980	1,165	652	246	80
Free Games	1	2	2	2	3	3	-	-	-
<b>Gross Revenue</b>	<b>\$213</b>	<b>\$401</b>	<b>\$547</b>	<b>\$744</b>	<b>\$1,004</b>	<b>\$1,177</b>	<b>\$655</b>	<b>\$247</b>	<b>\$90</b>
Store Royalty (88% Share)	\$208	\$353	\$482	\$655	\$883	\$1,036	\$577	\$217	\$53
MG True-Up (Reversal) <sup>1</sup>	120	254	144	154	33	(16)	(23)	(74)	(3)
<b>Total Revenue Share</b>	<b>\$328</b>	<b>\$606</b>	<b>\$626</b>	<b>\$809</b>	<b>\$917</b>	<b>\$1,020</b>	<b>\$554</b>	<b>\$143</b>	<b>\$50</b>
Free Game Buyout	\$34	\$34	\$15	\$15	\$15	\$15	-	-	-
Marketing	19	8	11	15	20	24	13	5	1
Payment Processing	11	21	29	39	53	62	35	13	3
Hosting	2	4	5	7	10	12	7	2	1
<b>Cost of Sales</b>	<b>\$95</b>	<b>\$74</b>	<b>\$86</b>	<b>\$85</b>	<b>\$1,015</b>	<b>\$1,132</b>	<b>\$609</b>	<b>\$163</b>	<b>\$55</b>
<b>Gross Profit</b>	<b>(\$181)</b>	<b>(\$273)</b>	<b>(\$139)</b>	<b>(\$142)</b>	<b>(\$11)</b>	<b>\$45</b>	<b>\$47</b>	<b>\$83</b>	<b>\$5</b>
<b>Cumulative Gross Profit</b>	<b>(\$181)</b>	<b>(\$454)</b>	<b>(\$593)</b>	<b>(\$734)</b>	<b>(\$746)</b>	<b>(\$701)</b>	<b>(\$654)</b>	<b>(\$571)</b>	<b>(\$556)</b>
People	\$15	\$18	\$20	\$22	\$23	\$24	-	-	-
Outsourcing	5	5	5	5	5	5	-	-	-
<b>Total Opex</b>	<b>\$20</b>	<b>\$24</b>	<b>\$25</b>	<b>\$27</b>	<b>\$28</b>	<b>\$30</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EBIT</b>	<b>(\$201)</b>	<b>(\$296)</b>	<b>(\$164)</b>	<b>(\$168)</b>	<b>(\$40)</b>	<b>\$15</b>	<b>\$47</b>	<b>\$83</b>	<b>\$5</b>
<b>Cumulative EBIT</b>	<b>(\$201)</b>	<b>(\$497)</b>	<b>(\$661)</b>	<b>(\$830)</b>	<b>(\$869)</b>	<b>(\$854)</b>	<b>(\$806)</b>	<b>(\$724)</b>	<b>(\$719)</b>
Tax (Benefit) / Expense <sup>2</sup>	(\$30)	(\$85)	(\$38)	(\$37)	(\$9)	\$3	-	-	-
<b>Earnings</b>	<b>(\$171)</b>	<b>(\$581)</b>	<b>(\$700)</b>	<b>(\$867)</b>	<b>(\$878)</b>	<b>(\$851)</b>	<b>\$47</b>	<b>\$83</b>	<b>\$5</b>
<b>Cumulative Earnings</b>	<b>(\$171)</b>	<b>(\$1,162)</b>	<b>(\$1,862)</b>	<b>(\$2,734)</b>	<b>(\$3,612)</b>	<b>(\$4,463)</b>	<b>(\$4,416)</b>	<b>(\$4,333)</b>	<b>(\$4,328)</b>
<b>Assumptions   Minimum Guarantees</b>									
Annual MGs Paid <sup>3</sup>	\$542	\$485	\$667	\$508	\$468	\$468	-	-	-
Outstanding MG Committed <sup>4</sup>	\$888	\$1,113	\$1,170	\$1,186	\$1,194	\$712	\$488	\$302	\$388
Blended Recoup	62%	80%	91%	100%	100%	100%	-	-	-
<b>Assumptions   Users - Steam Doesn't React</b>									
Monthly Active Users	14	22	30	40	45	59	-	-	-
Implied Revenue / MAU	\$15.25	\$18.22	\$18.24	\$18.80	\$22.30	\$23.54	-	-	-
Total Accounts	28	50	75	90	105	125	-	-	-
<b>Implied Cum. Cost / New User<sup>5</sup></b>	<b>\$7.17</b>	<b>\$9.94</b>	<b>\$8.82</b>	<b>\$9.22</b>	<b>\$8.28</b>	<b>\$6.84</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Winding Down Model

Illustrative: Last deal signed in 2024

	2019	2020	2021	2022	2023	2024	2025	2026	2027
All figures in millions, except per user									
<b>P&amp;L</b>									
Signed Deals	\$213	\$375	\$183	\$58	\$21	\$9	\$4	\$0	\$0
Pipeline (Non-Signed Deals)	-	24	244	396	398	347	185	73	17
Free Games	1	2	2	2	3	3	-	-	-
<b>Gross Revenue</b>	<b>\$213</b>	<b>\$401</b>	<b>\$429</b>	<b>\$457</b>	<b>\$422</b>	<b>\$359</b>	<b>\$189</b>	<b>\$74</b>	<b>\$17</b>
Store Royalty (88% Share)	\$208	\$353	\$378	\$403	\$372	\$316	\$166	\$65	\$15
MG True-Up (Reversal) <sup>1</sup>	120	254	88	44	(12)	(57)	(1)	(0)	(0)
<b>Total Revenue Share</b>	<b>\$328</b>	<b>\$606</b>	<b>\$466</b>	<b>\$447</b>	<b>\$359</b>	<b>\$259</b>	<b>\$165</b>	<b>\$65</b>	<b>\$15</b>
Free Game Buyout	\$34	\$34	\$15	\$15	\$10	\$5	-	-	-
Marketing	19	8	9	9	8	7	4	1	0
Payment Processing	11	21	23	24	22	19	10	4	1
Hosting	2	4	4	5	4	4	2	1	0
<b>Cost of Sales</b>	<b>\$95</b>	<b>\$74</b>	<b>\$16</b>	<b>\$60</b>	<b>\$40</b>	<b>\$29</b>	<b>\$81</b>	<b>\$7</b>	<b>\$17</b>
<b>Gross Profit</b>	<b>(\$181)</b>	<b>(\$273)</b>	<b>(\$87)</b>	<b>(\$42)</b>	<b>\$8</b>	<b>\$50</b>	<b>\$8</b>	<b>\$3</b>	<b>\$1</b>
<b>Cumulative Gross Profit</b>	<b>(\$181)</b>	<b>(\$454)</b>	<b>(\$541)</b>	<b>(\$584)</b>	<b>(\$566)</b>	<b>(\$501)</b>	<b>(\$493)</b>	<b>(\$490)</b>	<b>(\$489)</b>
People	\$15	\$18	\$20	\$22	\$23	\$24	-	-	-
Outsourcing	5	5	5	5	5	6	-	-	-
<b>Total Opex</b>	<b>\$20</b>	<b>\$24</b>	<b>\$25</b>	<b>\$27</b>	<b>\$28</b>	<b>\$30</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EBIT</b>	<b>(\$201)</b>	<b>(\$296)</b>	<b>(\$112)</b>	<b>(\$69)</b>	<b>(\$10)</b>	<b>\$36</b>	<b>\$8</b>	<b>\$3</b>	<b>\$1</b>
<b>Cumulative EBIT</b>	<b>(\$201)</b>	<b>(\$497)</b>	<b>(\$610)</b>	<b>(\$679)</b>	<b>(\$689)</b>	<b>(\$654)</b>	<b>(\$646)</b>	<b>(\$643)</b>	<b>(\$642)</b>
Tax (Benefit) / Expense <sup>2</sup>	(\$30)	(\$85)	(\$25)	(\$15)	(\$2)	\$8	-	-	-
<b>Earnings</b>	<b>(\$171)</b>	<b>(\$581)</b>	<b>(\$635)</b>	<b>(\$84)</b>	<b>(\$8)</b>	<b>\$28</b>	<b>\$8</b>	<b>\$3</b>	<b>\$1</b>
<b>Cumulative Earnings</b>	<b>(\$171)</b>	<b>(\$1,162)</b>	<b>(\$1,800)</b>	<b>(\$1,884)</b>	<b>(\$1,892)</b>	<b>(\$1,864)</b>	<b>(\$1,856)</b>	<b>(\$1,853)</b>	<b>(\$1,852)</b>
<b>Assumptions   Minimum Guarantees</b>									
Annual MGs Paid <sup>3</sup>	\$542	\$485	\$352	\$248	\$80	\$80	-	-	-
Outstanding MG Committed <sup>4</sup>	\$888	\$798	\$686	\$497	\$400	\$264	\$236	\$235	\$235
Blended Recoup	62%	80%	100%	100%	100%	100%	-	-	-
<b>Assumptions   Users - Steam Doesn't React</b>									
Monthly Active Users	14	22	22	20	18	16	-	-	-
Implied Revenue / MAU	\$15.25	\$18.22	\$19.50	\$22.87	\$23.46	\$22.43	-	-	-
Total Accounts	28	50	55	56	57	58	-	-	-
<b>Implied Cum. Cost / New User<sup>5</sup></b>	<b>\$7.17</b>	<b>\$9.94</b>	<b>\$11.68</b>	<b>\$12.12</b>	<b>\$12.69</b>	<b>\$11.27</b>	<b>-</b>	<b>-</b>	<b>-</b>

EPIC 2024 (aggressive) and 2023 (winding down), MG expenses begin reversing itself as the deals become profitable. <sup>2</sup> Assumes 15% effective tax rate in 2019 and 22% thereafter, assumes no interest earned on cash. <sup>3</sup> Annual MGs Paid represents total MG for games released in the year. <sup>4</sup> Outstanding MG Committed: Balance of signed MGs that is yet to be recouped. Refer to Slide 19 for breakdown. <sup>5</sup> Cumulative EBIT / Lifetime users.

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PX-2469.55

## Speaker Notes for Slide 46

Do not include the cumulative MG - Check  
Only show the rolling MG - Check  
Total Signed minus the actual earned  
Average annual Recoup rate  
(Chart of recoup and Rolling)  
Estimated Annual MG - Check  
Users numbers



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# Revenue Waterfall and Lifetime MG Recoup

OLD

## Aggressive Pursuit Model

	2019	2020	2021	2022	2023	2024
\$ in Millions						
<b>Signed Deals</b>	<b>\$198</b>	<b>\$367</b>	<b>\$179</b>	<b>\$57</b>	<b>\$20</b>	<b>\$8</b>
<b>Forecast Exclusive Deals</b>	<b>-</b>	<b>\$11</b>	<b>\$279</b>	<b>\$439</b>	<b>\$519</b>	<b>\$545</b>
2019 Pipeline Exclusive	-	-	-	-	-	-
2020 Pipeline Exclusive	-	11	11	4	1	-
2021 Pipeline Exclusive	-	-	268	182	84	28
2022 Pipeline Exclusive	-	-	-	253	166	79
2023 Pipeline Exclusive	-	-	-	-	267	171
2024 Pipeline Exclusive	-	-	-	-	-	267
<b>Forecast Non Exclusive Deals</b>	<b>\$15</b>	<b>\$21</b>	<b>\$87</b>	<b>\$246</b>	<b>\$461</b>	<b>\$620</b>
2019 Pipeline Non-Exclusive	15	8	4	2	1	0
2020 Pipeline Non-Exclusive	-	13	13	8	4	-
2021 Pipeline Non-Exclusive	-	-	70	70	41	20
2022 Pipeline Non-Exclusive	-	-	-	167	194	101
2023 Pipeline Non-Exclusive	-	-	-	-	222	249
2024 Pipeline Non-Exclusive	-	-	-	-	-	250
<b>Free Games</b>	<b>\$1</b>	<b>\$2</b>	<b>\$2</b>	<b>\$2</b>	<b>\$3</b>	<b>\$3</b>
<b>Total Gross Revenue</b>	<b>\$213</b>	<b>\$401</b>	<b>\$547</b>	<b>\$744</b>	<b>\$1,004</b>	<b>\$1,177</b>

### Signed Deals Recoup

Annual MGs Paid Signed Deals	\$542	\$444	\$52	\$0	\$0	\$0
Lifetime Revenue Signed Deals	\$336	\$362	\$47	\$0	\$0	\$0

<b>Blended Lifetime Recoup Signed Deals</b>	<b>62%</b>	<b>82%</b>	<b>90%</b>			
---	------------	------------	------------	--	--	--

### Pipeline Deals Recoup

Annual MGs Paid Pipeline Deals		\$52	\$615	\$508	\$469	\$469
Lifetime Revenue Pipeline Deals		\$34	\$562	\$524	\$548	\$548

<b>Blended Lifetime Recoup Pipeline Deals</b>	<b>66%</b>	<b>91%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
---	------------	------------	-------------	-------------	-------------	-------------

### Consolidated Recoup

Consolidated MGs Paid	\$542	\$495	\$667	\$508	\$469	\$469
Total Lifetime Revenue	\$336	\$396	\$609	\$524	\$548	\$548

<b>Consolidated Blended Lifetime Recoup</b>	<b>62%</b>	<b>80%</b>	<b>91%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
---	------------	------------	------------	-------------	-------------	-------------

100% recoup reflects full recovery of MGs

## Winding Down Model

	2019	2020	2021	2022	2023	2024
\$ in Millions						
<b>Signed Deals</b>	<b>\$198</b>	<b>\$367</b>	<b>\$179</b>	<b>\$57</b>	<b>\$20</b>	<b>\$8</b>
<b>Forecast Exclusive Deals</b>	<b>-</b>	<b>\$11</b>	<b>\$164</b>	<b>\$245</b>	<b>\$193</b>	<b>\$154</b>
2019 Pipeline Exclusive	-	-	-	-	-	-
2020 Pipeline Exclusive	-	11	11	4	1	-
2021 Pipeline Exclusive	-	-	153	92	46	15
2022 Pipeline Exclusive	-	-	-	149	89	45
2023 Pipeline Exclusive	-	-	-	-	57	34
2024 Pipeline Exclusive	-	-	-	-	-	60
<b>Forecast Non Exclusive Deals</b>	<b>\$15</b>	<b>\$21</b>	<b>\$84</b>	<b>\$154</b>	<b>\$206</b>	<b>\$194</b>
2019 Pipeline Non-Exclusive	15	8	4	2	1	0
2020 Pipeline Non-Exclusive	-	13	10	5	3	-
2021 Pipeline Non-Exclusive	-	-	70	51	23	11
2022 Pipeline Non-Exclusive	-	-	-	96	76	32
2023 Pipeline Non-Exclusive	-	-	-	-	103	82
2024 Pipeline Non-Exclusive	-	-	-	-	-	68
<b>Free Games</b>	<b>\$1</b>	<b>\$2</b>	<b>\$2</b>	<b>\$2</b>	<b>\$3</b>	<b>\$3</b>
<b>Total Gross Revenue</b>	<b>\$213</b>	<b>\$401</b>	<b>\$429</b>	<b>\$457</b>	<b>\$422</b>	<b>\$359</b>

### Signed Deals Recoup

Annual MGs Paid Signed Deals	\$542	\$444	\$52	\$0	\$0	\$0
Lifetime Revenue Signed Deals	\$336	\$362	\$47	\$0	\$0	\$0

<b>Blended Lifetime Recoup Signed Deals</b>	<b>62%</b>	<b>82%</b>	<b>90%</b>			
---	------------	------------	------------	--	--	--

### Pipeline Deals Recoup

Annual MGs Paid Pipeline Deals		\$52	\$300	\$248	\$80	\$80
Lifetime Revenue Pipeline Deals		\$34	\$306	\$297	\$114	\$120

<b>Blended Lifetime Recoup Pipeline Deals</b>	<b>66%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
---	------------	-------------	-------------	-------------	-------------	-------------

### Consolidated Recoup

Consolidated MGs Paid	\$542	\$495	\$352	\$248	\$80	\$80
Total Lifetime Revenue	\$336	\$396	\$353	\$297	\$114	\$120

<b>Consolidated Blended Lifetime Recoup</b>	<b>62%</b>	<b>80%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
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100% recoup reflects full recovery of MGs



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# Outstanding MG Commitment & Cash Flow

OLD

Aggressive Pursuit Model

Winding Down Model

## Outstanding MG Commitment

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning MG Commitment	-	\$889	\$1,113	\$1,170	\$1,189	\$1,194	\$712	\$496	\$392
MG Signed	1,085	666	508	469	469	-	-	-	-
Estimated Recoup	(172)	(304)	(364)	(413)	(464)	(482)	(246)	(74)	(3)
MG write-off	(24)	(137)	(88)	(36)	-	-	-	-	-
Outstanding MG Commitment	\$889	\$1,113	\$1,170	\$1,189	\$1,194	\$712	\$466	\$392	\$389

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning MG Commitment	-	\$889	\$799	\$696	\$497	\$400	\$264	\$236	\$235
MG Signed	1,085	352	248	80	80	-	-	-	-
Estimated Recoup	(172)	(304)	(263)	(242)	(177)	(137)	(26)	(0)	(0)
MG write-off	(24)	(137)	(88)	(36)	-	-	-	-	-
Outstanding MG Commitment	\$889	\$799	\$696	\$497	\$400	\$264	\$236	\$236	\$235

## Cash Flow

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Cash	-	(\$465)	(\$677)	(\$701)	(\$830)	(\$869)	(\$854)	(\$808)	(\$724)
EBIT	(201)	(296)	(164)	(168)	(40)	15	47	83	5
Prepaid MG	(264)	84	140	40	-	-	-	-	-
Net Δ in Cash		(212)	(24)	(129)	(40)	15	47	83	5
Cumulative Cash Balance	(\$465)	(\$677)	(\$701)	(\$830)	(\$869)	(\$854)	(\$808)	(\$724)	(\$719)

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Cash	-	(\$465)	(\$677)	(\$649)	(\$679)	(\$689)	(\$654)	(\$646)	(\$643)
EBIT	(201)	(296)	(112)	(69)	(10)	36	8	3	1
Prepaid MG	(264)	84	140	40	-	-	-	-	-
Net Δ in Cash		(212)	28	(30)	(10)	36	8	3	1
Cumulative Cash Balance	(\$465)	(\$677)	(\$649)	(\$679)	(\$689)	(\$654)	(\$646)	(\$643)	(\$642)

MG deals are assumed to be signed the year prior for forecasted pipeline

## Speaker Notes for Slide 48

Add Steam users MAU 90m DAU  
Take out Match

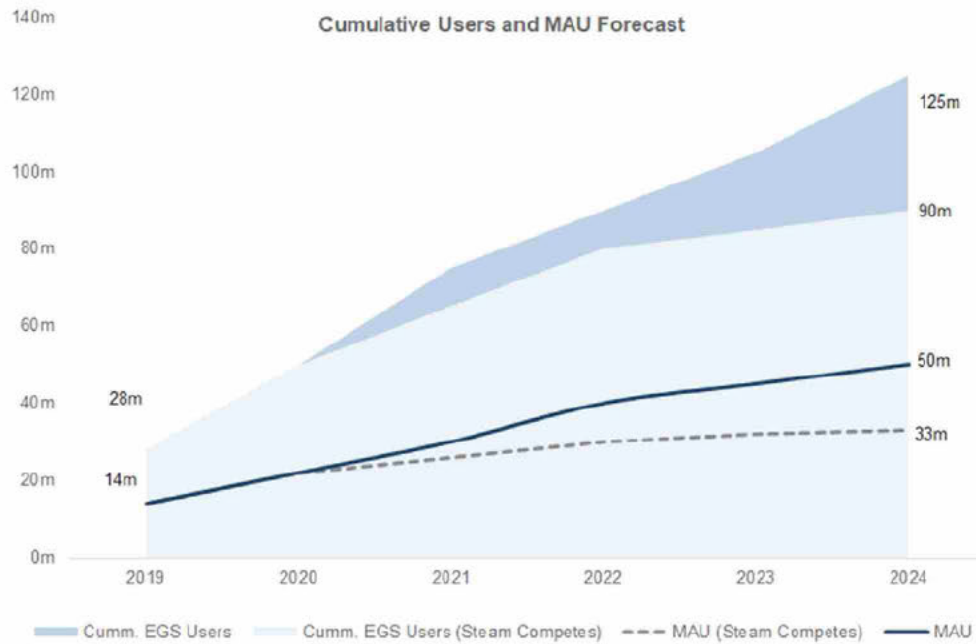
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# User Growth

OLD

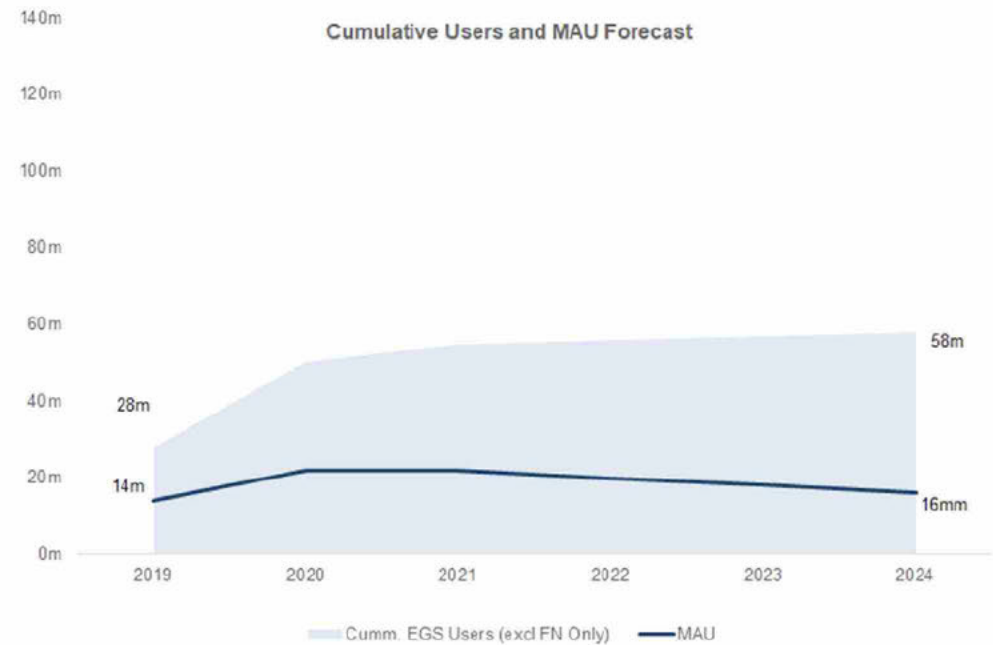
**Aggressive Pursuit Model**

Cumulative Users and MAU Forecast



**Winding Down Model**

Cumulative Users and MAU Forecast

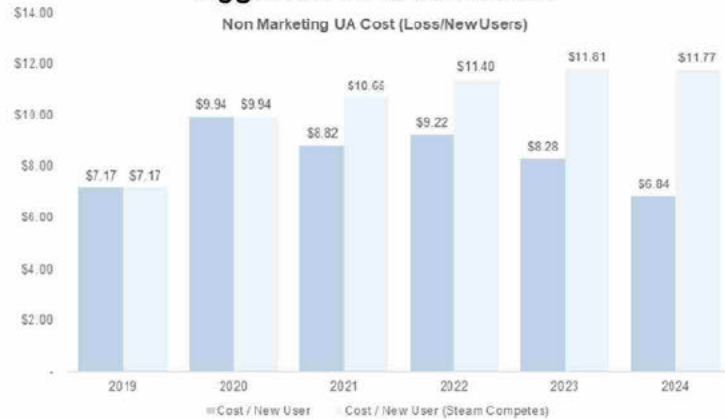


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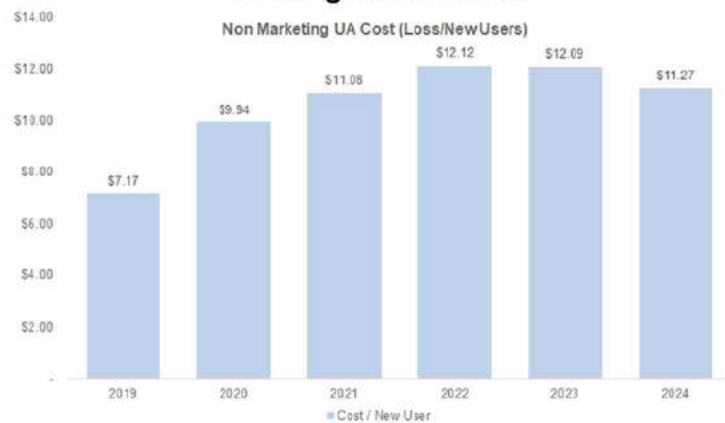
# User Lifetime Value of Major Ecosystems

OLD










## Aggressive Pursuit Model



## Winding Down Model



(data as of 10/2/2019)

Company	TEV (\$b)	MAUs (mm)	User Type	TEV / MAU (\$)	MAR (\$)
	\$465.1	2414	Social Only - MAU	\$192.65	\$2.16
	\$407.1	1133	Social - MAU	\$359.34	\$1.26
	\$130.6	152	Video - Subs	\$861.54	\$9.51
	\$39.1	327	Gaming - MAU	\$119.58	\$1.78
	\$28.4	330	Social - MAU	\$86.07	\$0.90
	\$20.3	203	Social - DAU	\$100.10	\$0.57
	\$12.6	78	Fortnite - MAU	\$160.65	\$4.05
	\$9.4	486	Social - MAU	\$19.39	\$0.31
	Private	90	Steam - MAU	N/A	\$2.96

Note: Epic's MAUs and MARPUs as of August 2018 (last available data to investors in 2018's financing)  
Tencent MARPU includes Social Networks revenue from VAS and Online Advertising



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# Publishing 5 Year P&L View

PX-2469.62



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# Epic Games Publishing

New Third Party Publishing Business Launched on March 26th

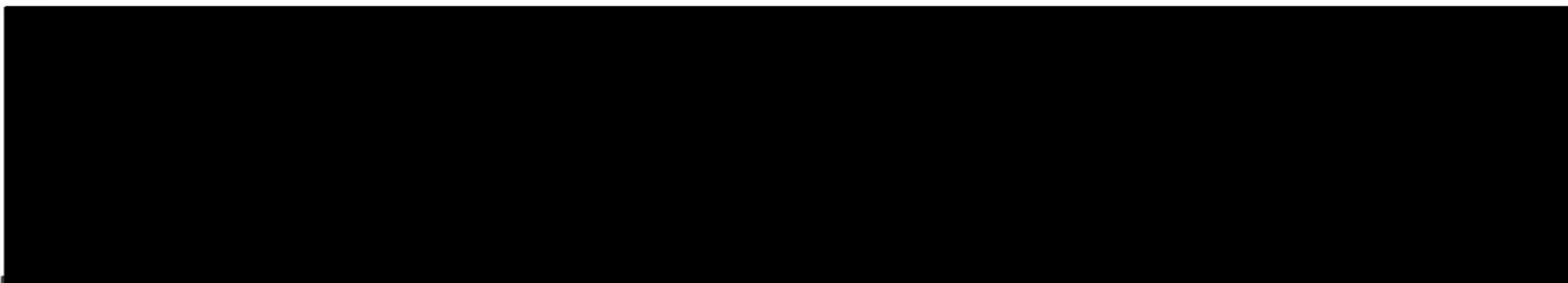
## Publishing Standards

- Developers will have full creative control of their games
- Developers retain 100% of all intellectual property
- Epic will cover up to 100% of development costs from developer salaries to go-to-market expenses such as QA, localization, marketing, and all publishing costs
- Once costs are recouped, developers earn at least 50% of all profits

## Widely Industry Commentary

- *Like it did with the Epic Games Store, Epic is positioning its latest venture as something that is **friendly to developers**.* - Engadget
- *"With an incredibly successful first year for the Epic Games Store and three top flight developers already signed to Epic Games Publishing, **Epic Continues to move the needle in the industry in significant ways**."* - GameDaily.biz
- *"It looks like Tim Sweeney is just getting started with establishing his company as a **gaming powerhouse** unlike very few before it."* - GameZone
- *"Epic Games may be the **best choice for game developers yet**."* - Screen Rant

## Publishing Deals in Flight (Announcement [Video](#))



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PX-2469.63

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# Assumptions | Cost & Revenue Build

XX

WIP

Assumption		Assumption Detail																																													
1.	Cost on future deals broken out by expected tiers and live-service	<table><tr><th colspan="5">2 Cost Assumptions</th></tr><tr><th>Tier</th><th>Dev Cost</th><th>Marketing</th><th>GtM</th><th>Total</th><th></th><th></th></tr><tr><td>LS</td><td>\$50.0</td><td>\$20.0</td><td>\$2.0</td><td>\$72.0</td><td></td><td></td></tr><tr><td>Tier 1</td><td>\$40.0</td><td>\$10.0</td><td>\$2.0</td><td>\$52.0</td><td></td><td></td></tr><tr><td>Tier 2</td><td>\$17.5</td><td>\$5.0</td><td>\$1.0</td><td>\$23.5</td><td></td><td></td></tr><tr><td>Tier 3</td><td>\$5.0</td><td>\$1.0</td><td>\$0.5</td><td>\$6.5</td><td></td><td></td></tr></table>						2 Cost Assumptions					Tier	Dev Cost	Marketing	GtM	Total			LS	\$50.0	\$20.0	\$2.0	\$72.0			Tier 1	\$40.0	\$10.0	\$2.0	\$52.0			Tier 2	\$17.5	\$5.0	\$1.0	\$23.5			Tier 3	\$5.0	\$1.0	\$0.5	\$6.5		
2 Cost Assumptions																																															
Tier	Dev Cost	Marketing	GtM	Total																																											
LS	\$50.0	\$20.0	\$2.0	\$72.0																																											
Tier 1	\$40.0	\$10.0	\$2.0	\$52.0																																											
Tier 2	\$17.5	\$5.0	\$1.0	\$23.5																																											
Tier 3	\$5.0	\$1.0	\$0.5	\$6.5																																											
1.	Live Service Cost Assumption	\$4million per quarter for live-ops development - decreasing by a third every year																																													
		5% for Hosting cost (Comped against Psyonix)																																													
1.	Revenue on future deals is broken out by expected tiers as follows	<table><tr><th>Tier</th><th>Rev</th><th>ROI</th><th></th><th></th><th></th><th></th></tr><tr><td>LS</td><td>200</td><td>76%</td><td></td><td></td><td></td><td></td></tr><tr><td>Tier 1</td><td>100</td><td>92%</td><td></td><td></td><td></td><td></td></tr><tr><td>Tier 2</td><td>50</td><td>113%</td><td></td><td></td><td></td><td></td></tr><tr><td>Tier 3</td><td>15</td><td>131%</td><td></td><td></td><td></td><td></td></tr></table>						Tier	Rev	ROI					LS	200	76%					Tier 1	100	92%					Tier 2	50	113%					Tier 3	15	131%									
Tier	Rev	ROI																																													
LS	200	76%																																													
Tier 1	100	92%																																													
Tier 2	50	113%																																													
Tier 3	15	131%																																													
1.	Distribution of Revenue over the years		Year 1	Year 2	Year 3	Year 4	Year 5																																								
	Live Service		45%	20%	15%	10%	10%																																								
	Tier 1		70%	20%	6%	4%	0%																																								
	Tier 2		67%	23%	7%	4%	0%																																								
	Tier 3		58%	28%	11%	4%	0%																																								
1.	Expected Release Dates	• All titles are expected on average release 3 years following the deal sign																																													
1.	Model Annual Budget	• \$XX																																													



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# Assumptions | Scenarios

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Assumption	Live Service Focus	Standard Game Focus																																																																																				
1. # of <b>exclusive</b> deals (i.e. <b>minimum guarantee</b> deals) pursued	<ul style="list-style-type: none"><li>Continue <b>aggressive investment in securing titles for an exclusive window</b> across tiers to drive users into the Store and gain market share</li></ul> <table><tr><th>Total Exclusive Titles</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Tier 1</td><td>2</td><td>2</td><td>5</td><td>4</td><td>4</td><td>4</td></tr><tr><td>Tier 2</td><td>12</td><td>15</td><td>11</td><td>10</td><td>12</td><td>12</td></tr><tr><td>Tier 3</td><td>7</td><td>14</td><td>16</td><td>12</td><td>8</td><td>8</td></tr><tr><td>Tier 4</td><td>35</td><td>23</td><td>20</td><td>10</td><td>10</td><td>10</td></tr><tr><td>Total Exclusive Titles (i.e. MGs)</td><td>56</td><td>54</td><td>52</td><td>36</td><td>34</td><td>34</td></tr></table>	Total Exclusive Titles	2019	2020	2021	2022	2023	2024	Tier 1	2	2	5	4	4	4	Tier 2	12	15	11	10	12	12	Tier 3	7	14	16	12	8	8	Tier 4	35	23	20	10	10	10	Total Exclusive Titles (i.e. MGs)	56	54	52	36	34	34	<ul style="list-style-type: none"><li>Winding down underwriting <b>minimum guarantees</b> for exclusive titles in 2021</li></ul> <table><tr><th>Total Exclusive Titles</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Tier 1</td><td>2</td><td>2</td><td>3</td><td>3</td><td>2</td><td>2</td></tr><tr><td>Tier 2</td><td>12</td><td>15</td><td>9</td><td>5</td><td>0</td><td>0</td></tr><tr><td>Tier 3</td><td>7</td><td>14</td><td>1</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Tier 4</td><td>35</td><td>23</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Total Exclusive Titles (i.e. MGs)</td><td>56</td><td>54</td><td>13</td><td>8</td><td>2</td><td>2</td></tr></table>	Total Exclusive Titles	2019	2020	2021	2022	2023	2024	Tier 1	2	2	3	3	2	2	Tier 2	12	15	9	5	0	0	Tier 3	7	14	1	0	0	0	Tier 4	35	23	0	0	0	0	Total Exclusive Titles (i.e. MGs)	56	54	13	8	2	2
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2. \$ <b>Minimum Guarantee</b> additions	<table><tr><th>MGs \$ in mm</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Minimum Guarantee Additions</td><td>\$542</td><td>\$495</td><td>\$667</td><td>\$451</td><td>\$469</td><td>\$469</td></tr></table>	MGs \$ in mm	2019	2020	2021	2022	2023	2024	Minimum Guarantee Additions	\$542	\$495	\$667	\$451	\$469	\$469	<table><tr><th>MGs \$ in mm</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Minimum Guarantee Additions</td><td>\$542</td><td>\$495</td><td>\$352</td><td>\$220</td><td>\$80</td><td>\$80</td></tr></table>	MGs \$ in mm	2019	2020	2021	2022	2023	2024	Minimum Guarantee Additions	\$542	\$495	\$352	\$220	\$80	\$80																																																								
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3. <b>Structural improvements in MG deals</b>	Across both scenarios, this model reflects fundamental improvements in structuring exclusive deals given: <ul style="list-style-type: none"><li>Lifetime recoup (vs. one year recoup)</li><li>Cross collateralization</li><li>Ability to sign minimum guarantees at the lower end of comps due to the scaling of the store ecosystem</li></ul>																																																																																					
4. <b>Risk adjustment:</b> haircut on revenue across all games	<ul style="list-style-type: none"><li>25% portfolio risk to signed deals</li><li>20% portfolio risk to pipeline (non-signed) deals</li><li>30% portfolio risk to pipeline (non-signed) deals (Steam reacts)</li></ul>	<ul style="list-style-type: none"><li>25% portfolio risk to signed deals</li><li>15% down to 0% portfolio risk to pipeline (non-signed) deals</li></ul>																																																																																				
5. <b>Market Share Capture</b>	<ul style="list-style-type: none"><li>50% of all PC revenue if Steam doesn't react</li><li>35% of all PC revenue if Steam does react</li></ul>	<ul style="list-style-type: none"><li>Build up to 20% of all PC store users and wind down to ~8% over time</li></ul>																																																																																				



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